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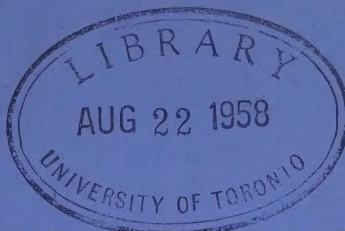
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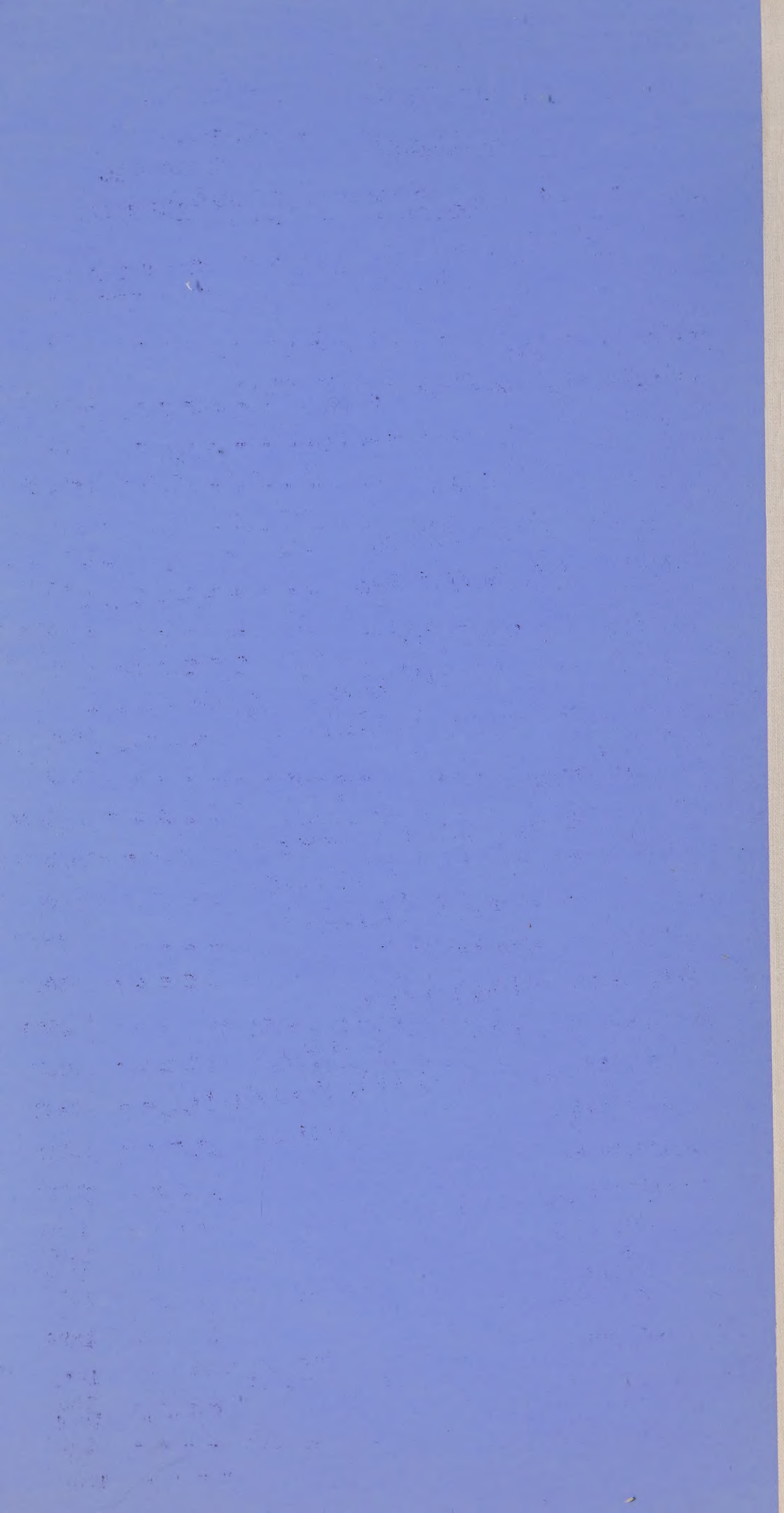
# HYDRO ELECTRIC INQUIRY COMMISSION

## CENTRAL ONTARIO SYSTEM

TORONTO, 1922.

W. C. Coe,  
Official Reporter

1850-1924



# HYDRO ELECTRIC INQUIRY COMMISSIONER.

Toronto, December 8th, 1922.

## CENTRAL ONTARIO SYSTEM.

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HYDRO ELECTRIC ENQUIRY COMMISSION.

Toronto, December 8th, 1922.

10.30 A.M.

CENTRAL ONTARIO SYSTEM.

P r e s e n t :

W.D. GREGORY, Esq.,	Chairman.
M.J. HANEY, Esq.,	Commissioner.
R.A. ROSS, Esq.,	"
J.A. ROSS, Esq.,	"

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J.H.W. BOWER, Esq., Secretary.  
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SIR ADAM BECK,	} representing the HYDRO ELECTRIC POWER COMMISSION OF ONTARIO.
F.A. GABY, Esq.	
H.C. DON CARLOS, Esq.	

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G.T. CLARKSON, Esq., testifying:  
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THE CHAIRMAN: You are the auditor for the Central Ontario System, Mr. Clarkson ?

A--I am auditor of the Hydro systems, appointed by the Province of Ontario.

Q--Including the Central Ontario system ? A--Yes.

Q--That is owned by the Provincial Government ?

A--Owned by the Provincial Government and operated by the Commission for the Government.

Q--I understand you would like to say something ?

A--I would like to make one or two statements elucidating some of the evidence given. I would like to make a statement concerning a report here. Here is a head line in the Star, "Auditors knew of \$1,700,000 diversion." That gives the implication that we knew of and assented to this diversion.

HYDRO-ELECTRIC COMMISSION

Toronto, December 27th, 1922.

10.30 A.M.

GENERAL OFFICIALS

Present:

- Chairman: J. D. GILGOREY, Esq.
- Commissioners: H. J. KELLY, Esq.
- " E. A. MOORE, Esq.
- " J. A. MOORE, Esq.

J. H. W. BOWEN, Esq., Secretary.

SIR ALAN BROWN, representing the HYDRO-ELECTRIC COMMISSION OF ONTARIO.

F. A. GARY, Esq.

H. O. DON CARLOS, Esq.

C. T. OLIPHANT, Esq., Testifier.

THE CHAIRMAN: You are the auditor for the General

Ontario System, Mr. Oliphant?

A--I am auditor of the Hydro system, operated by the

Province of Ontario.

Q--Including the Central Ontario system? A--Yes.

Q--That is owned by the Provincial Government?

A--Owned by the Provincial Government and operated by

the Commission for the Government.

Q--I understand you would like to say something?

A--I would like to make one or two statements elucidating

some of the evidence given. I would like to make a statement

concerning a report here. There is a head line in the Star,

"Auditors show \$2,170,000 diversion." That gives the

impression that we knew of and assented to this diversion.

We assented to nothing of any kind or character that was contrary to the Act.

I have read Sir Adam Beck's evidence, and in connection with it there is one point with which I disagree. He says we audited from month to month and from day to day and from hour to hour, that we pre-audited. We did not pre-audit.

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MR. J.A.ROSS: The inference being that you had full knowledge before the event by that method?

A--We had not. We audited after the event.

Q--His words were, I think, that you had full knowledge of this diversion at the time it went through.

A--No, after it went through, probably a week or two later when we came to go over the vouchers, we knew then of the diversion.

Q--For the first time? A--For the first time, but we did not assent, we were not pre-auditors, neither have we any power or control to say to the Commission, you shall, or you shall not do this, so as to prevent the payment. So if there is any implication that we assented to that diversion I want to say categorically that we did not.

THE CHAIRMAN: You knew nothing about the diversion until after it had been made?

A--Until after the event.

Q--And then when you made up your report you called attention to it? A--In every year. I did further than that. The diversion up to 1917 was about \$583,000. At the end of 1917 we were asked to make a general report on the Hydro situation to the Government. We did not get through that general report until January 1918 so it was not until 1918 we knew about it. In 1919 the diversion was about \$100,000. We did not know the exact amount of that diversion until the end of the year. Had we known of it even from

It seemed to nothing of any kind or character that was contrary to the Act.

I have read Sir Adam Beck's evidence, and in connection with it there is one point which I disagree. He says we audited from month to month and then day to day and from hour to hour, that we pre-audited. We did not pre-audit.

Q. Now, the Auditor-General being that you had full

knowledge before the event of that which?

A. We had not. We audited after the event.

Q. The Auditor-General, I think, that you had full knowledge

of this diversion at the time it went through.

A. No, I don't think it went through, probably a week or two

later when we came to go over the vouchers, we know then

of the diversion.

Q. For the first time, for the first time, but we

did not prevent, we were not pre-auditors, neither have we

any power or control to say to the Commission, you shall,

or you shall not do this, so as to prevent the payment.

So it there is any implication that we assented to that

diversion, I want to say categorically that we did not.

THE CHAIRMAN: You know nothing about the diversion

until after it had been made?

A. Until after the event.

Q. And then when you received your report you called

attention to it? A. In every year. I did further than

that. The diversion up to 1917 was about \$280,000. At the

end of 1917 we were asked to make a general report on the

system of taxation to the Government. We did not go through

that general report until January 1918 so it was not until

1918 we knew about it. In 1918 the diversion was about

\$400,000. We did not know the exact amount of that diversion

until the end of the year. But we know of it even from

day to day and from time to time before the expenditure was made we would have been faced with the situation that the work was being carried on with the approval of the Government, and there was machinery there for the Commission at the last hour or the last day to borrow from the bank with the approval of the Government and repay that.

Q--Did the Government take any action to signify its approval or disapproval of this diversion from the Central Ontario to the Hydro System ? A--No sir, we reported it from year to year and there was never any statement or objection made.

Q--Do you know if the matter was ever taken up by the Government with the Commission ? A--I do not.

MR. J.A.ROSS: So that your running audit would not mean that you would have full knowledge of the transaction before it actually went through ?

A--No sir, we would not have knowledge of it before it went through, it would go through first, and then later on, perhaps a week or two weeks, perhaps a month after, the vouchers would come to us and we would know the payment had been made.

THE CHAIRMAN: Were the amounts appropriated by the Provincial Legislature out of which these moneys came, specifically appropriated for the Central Ontario System ?

A--Yes sir, specifically appropriated. Now in 1919 there was a diversion of \$700,000 in connection with the third pipe line, and we had been leading up, explaining in each year that there had been this diversion, so much this year and so much that year; when we came to 1919, in our report we drew specific attention to that, and pointed out that it was very difficult when they were carrying on these works to determine exactly what they were going to cost, and that there should be some machinery



provided whereby the Commission could go back to the Government when there was work in progress and get additional money as required to carry it on by way of Treasury Board order. That recommendation resulted in the passing of Section <sup>14</sup> B of the Act.

Q--Can you tell into what systems these sums which were diverted went ? A--No, we can tell this, we can tell for instance that \$1,000,000 was provided for one system and only \$900,000 spent, there was a surplus on that of \$100,000; then another system there might be \$50,000, on a third system \$25,000, \$175,000 altogether, we cannot say that the money from Central Ontario went specifically to the Niagara system, but we can tell where the accumulated over payments in a number of systems, where that money went, but we cannot ear-mark dollar for dollar.

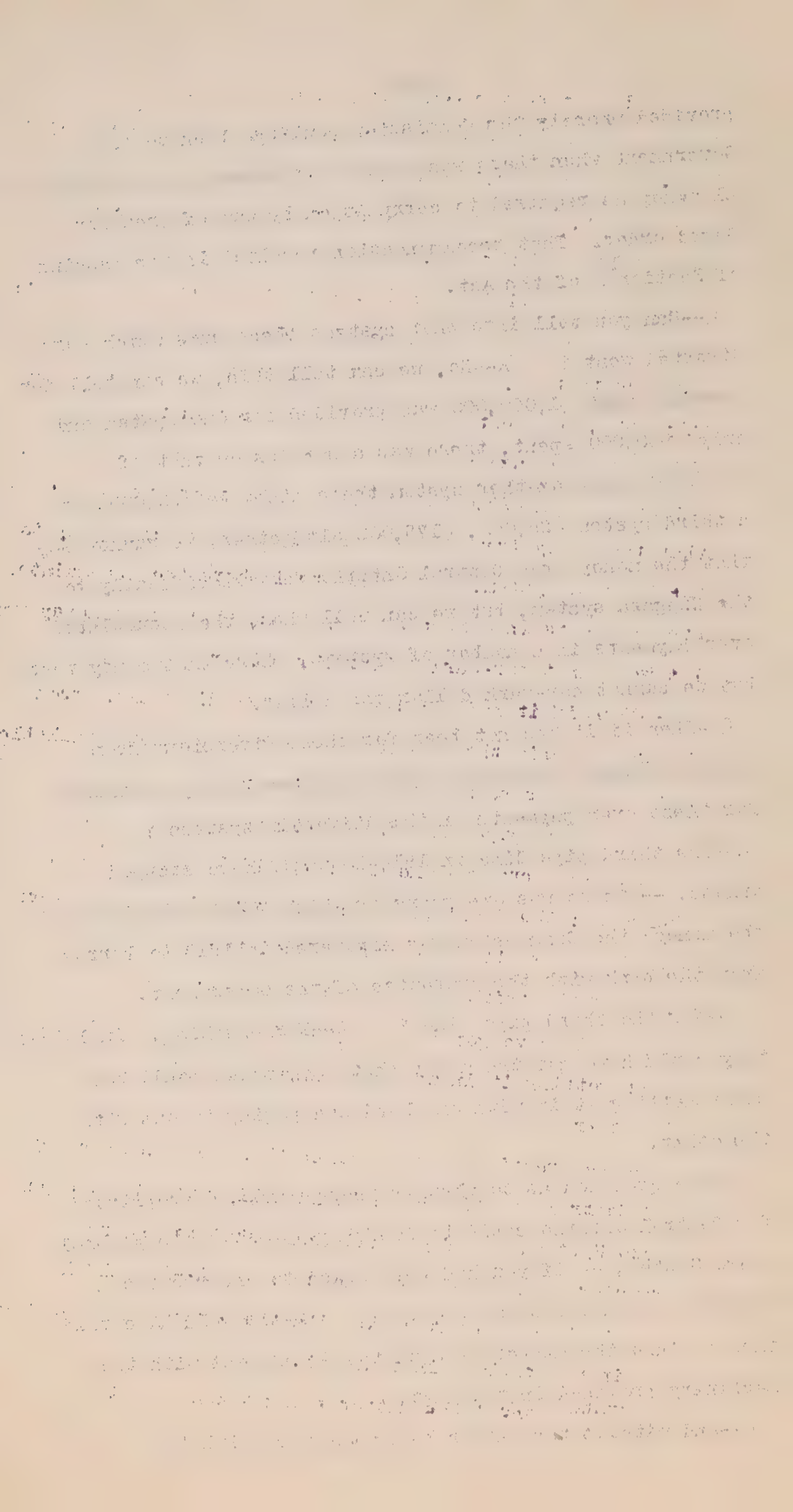
Q--Then if it had not been for these diversions from Central Ontario there would not have been money available for these over payments on the different systems ?

A--The third pipe line in 1918-19 would have stopped unless, -- there was one means by which they could have got the money; the Commission was empowered in 1918 to borrow from the bank with the guarantee of the Government.

Q--For the third pipe line ? A--For anything. In 1918-19 they could have got the money that way, which would have meant getting it in with one hand and paying it out with the other.

Q--The question as to whether these moneys appropriated for Central Ontario could be lawfully used for the general Hydro System, -- if you had been asked to endorse the transfer would you have done so ? A--I would have told them to take the matter up with the Government with the machinery provided in that Act.

Q--And without the matter being taken up with the



Government would you have approved of the transfer ?

A--The evidence is that I did not, that I reported it.

Q--That is the inference one would draw ?

A--Yes. I could not approve.

COMMISSIONER HANEY: You had not any power to approve ?

A--The Act does not give power, the powers are limited by the Act. I point out one thing though, in regard to Chippewa for instance, the expenditures are about  $4\frac{1}{2}$  million in excess of the appropriations, and that was largely brought about from the use of moneys appropriated for other systems. Now that has been specifically reported in every period to the Government, I do not look upon it as a matter of serious importance because they always had the right to rectify it by going to the Treasury Board for  $4\frac{1}{2}$  million and paying it back to the Government, so it is not so serious as it might appear. But I want to specifically correct the impression, which I do not think Sir Adam gives in his evidence, I want to say for the last year or 18 months the Commission is doing everything in its power to keep within its appropriations, it is trying sincerely and I think it is doing it as well as it can possibly be done. You must understand that in the beginning things were perhaps not looked upon quite as strictly as in more recent periods, when we began to point out the impropriety of over-spending appropriations, or spending appropriations for one thing on another thing. That has come about cumulatively, they now do their very best to keep within their appropriations, and they do very well, I do not think they could do any better.

COMMISSIONER J.A.ROSS: Sir Adam stated last week that he thought the reason why the \$1,700,000 was diverted was probably because the Government did not give financial aid to that system when needed. Was that the reason ?



A--I cannot answer that directly, but I would put it this way, that if when the third pipe line was constructed the Commission was faced with the alternative, in default of there being any machinery in the Act to give them a treasury order, of either shutting down the work in a war time period, or else using funds for other systems which were in their hands.

COMMISSIONER HANEY: Or going to the Government ?

A--Yes.

THE CHAIRMAN: And that really was the available way ?

A--That was in 1918, there was an available way then.

COMMISSIONER J.A.ROSS: Well if they had that recourse and did go to the Government and did not get the money, then the burden would be on the Government ?

A--The burden would be on the Government.

Q--Do you remember what actually happened ?

A--Mr.Gaby raises this point, he says the machinery is not in the Act until 1920. The specific machinery was not, but in 1918, "Subject to the approval of the Lieutenant-Governor in Council the Commission may borrow money from time to time . ." that is what I refer to.

MR. GABY: We tried that, we asked authority to issue bonds, but the Government said No.

MR. CLARISON: Well that is something outside of my knowledge.

THE CHAIRMAN: Was a letter written to them ?

MR. GABY: I do not think so, I think it was taken up with the Provincial Treasurer as to whether the Commission could issue bonds on account of that third pipe extension.

COMMISSIONER J.A.ROSS: Did they refuse that ?

MR. GABY: They thought they would rather do it the other way.



COMMISSIONER HANEY: Did they have knowledge of this diversion at the time it was made ?

MR. GABY: Offhand I cannot say.

COMMISSIONER R.A.ROSS: The situation arose here through the construction of the pipe line at Niagara ?

A--Yes, that is one of them.

Q--Now the Hydro had a common fund more or less ?

A--A common fund.

Q--Out of which they drew for that purpose. If they had not done that they would have had to get a bank credit, which would have cost them 6 per cent.

MR. CLARISON: You say a common fund, I do not know quite what you mean. There was technically speaking no common fund, the Government appropriated money specifically for every system.

Q--But they used it as a common fund ?

A--Yes, in this case, and they also got a bank credit from the Government for \$1,200,000.

Q--So that they would have had to borrow and pay 6 per cent to the bank, whereas they were only receiving on their credit balance in the bank perhaps 3 per cent ?

A--They would be receiving a minor amount. On the other hand of course they would not be drawing this money except from time to time as required.

COMMISSIONER HANEY: How could this be a common fund when the money was appropriated for a specific thing, for a system that was not the Hydro system, that was Government property ?

A--It was not a common fund, there cannot be any common fund, every dollar of money is ear-marked as appropriated for a specific system or belongs to a specific system, there is no common fund, except such little things as earnings from operation of a store house or something



like that.

Q--Even stretching the situation to admit a common fund for the Hydro system, this system was not a part of the Hydro system ? A--It is not a Hydro Municipal system.

Q--It was a Government property administered by the Hydro?

A--A Hydro system, but not a Hydro Municipal system.

THE CHAIRMAN: It is not a Hydro system ?

A--Well that is a matter of law and interpretation.

THE CHAIRMAN: Well it is not owned by the Hydro Commission, they are employed to operate it ?

A--It is not owned by the municipalities, at the same time I would call it a Hydro system.

COMMISSIONER HANEY: We hope it will be a Hydro system some day, I suppose that is what you refer to ?

A--That has always been the way it has been regarded.

THE CHAIRMAN: Did you look into the question of by what authority the diversion was made ? Did the Commission pass any resolution ?

A--I do not know that offhand.

Q--Could you let us know that ? A--Mr. Guilfoyle will let us know.

MR. GUILFOYLE: I do not know of any authority.

Q--How would the cheques be signed ? A--By the Officers of the Commission.

Q--Who were they ? A--At that time Mr. W.S. Andrews, W.W. Pope, and may be Mr. Gilmour.

Q--This was a wrongful diversion, you might take one view or another as to whether it was to any extent justified, but surely officials of the Commission did not do things like this without some authority ?

A--Put it this way; there was a work authorized by the Government, the Government gave guarantees for borrowings to the extent of \$1,200,000, the cost of the work exceeded



that, the work was in process and the Commission went on with the work, and in doing that they would have to buy labour and materials, and the bills came in and they paid them.

Q--I am not going into that question, I just want to know, certain persons would have to sign the cheques, now what authority did they have, did they do it by any instructions from the Board ?

MR. GUILFOYLE: There would not be cheques transferring funds from one account to the other, the funds were borrowed under appropriations, so much for the different systems.

Q--But of course this was not a Hydro system ?

A--Under the Act they are permitted to carry one general bank account.

Q--Does that include Central Ontario ? A--Yes.

Q--You are sure ? A--Quite certain.

Q--What Act permits that use of the Central Ontario funds ?

MR. CLARISON: There is nothing in the Act.

MR. GUILFOYLE: The Act permits a general bank account. There is no Act referring specifically to a general bank account for Central Ontario.

THE CHAIRMAN: So it must have its own bank account ?

MR. CLARISON:

A--No. The fact is they have one general bank account for all systems including Central Ontario.

Q--And there is no direct authority for including the Central Ontario in that general bank account ?

A--(Section read) I want to say in regard to that section, it was drawn by Mr. Milburn to follow the provisions of the Audit Act, and although that clause is drawn in general terms I am told definitely, was told at the time it was passed that even drawn in that form it does not allow any



money that comes into that fund to be used for any other purpose than that for which it was appropriated.

THE CHAIRMAN: But that might include money the Hydro held as trustee --

A--It gave the right to put the money into the fund, not the right to draw the money out except for duly authorized purposes. I had that clause put in the Act because otherwise we would have had to carry about 2,000 trust accounts, a trust account for every blessed little thing, which would make the operation of the Commission absolutely impracticable. But drawn on these terms it allows of funds going into the account, but does not allow them to be taken out except for duly authorized purposes.

Q--Well they were taken out for purposes which were not duly authorized ? A--Yes.

Q--Now who did the act which drew it out of the account for those purposes ? A--The officers of the Commission who signed the cheques.

Q--Who were they ? A--Well you will have to look at each cheque.

MR. GUILMOYLE: They were different in different years. In the early days Mr. Andrews, Mr. Pope and any one of the commissioners. Two out of that group must sign. Later Mr. Gilmour took the place of Mr. Pope.

THE CHAIRMAN: Can you let us know who signed the cheques which made these transfers that you speak of ?

MR. CLARISON: Only in a general way, there may be 5,000 transactions. I can only say in a general way that in such and such a year so and so, in another year so and so signed the cheques.

Q--Can you show what authority they had ? There was a diversion, one may take one view and another another, but surely that is not done without authority ?



A--Well I suppose they would have to answer for themselves, unless there was something on the Minute Book.

COMMISSIONER R.A.ROSS: Whatever may be the status, there was a fund which they treated as a common fund upon which they drew cheques from time to time, not for specific large amounts which were deposited to another account, but ordinary running cheques, they treated it as a common fund and then through the bookkeeping it was transferred to the proper account, but the bank situation was that it was treated as a common fund ?

A--They checked it out of this general bank account.

Q--Now if this is a subject of comment it seems to me there is only one way of dealing with it in the future, whether good, bad or indifferent I do not know and would like to have your opinion. If you had a budget system --

A--We have a budget system.

Q--You have now ? A--We have now, and track is kept as close as we can month by month to show how we stand with regard to the appropriations on every system.

Q--When you have got that how are you going to insure that it is lived up to without a controller who would say that the appropriation was exceeded or it was getting to the point where it would be about to exceed the amount put aside, and that he would not issue any more cheques on that account; then they would have to go to the Government.

A--Well there are men practically exercising the position of controller now, Mr. Pierdon and Mr. Gilmour watch these things month by month, and whenever you get to a point where you are likely to over-run the appropriation they go to the Government and get relief.

Q--So the Government is informed of diversions --

A--We do not have diversions now. I say this has been



in course of evolution.

Q--But you may have ? A--Then they have this section 24 and they can go to the Government and get a Treasury Minute for additional funds.

Q--And Mr. Pierdon is empowered to stop cheques when the appropriation for any particular item in the budget is exhausted ? A--It does not come to that point, because they foresee, and to all intents and purposes Mr. Pierdon is really controller in there now.

Q--Of course he is subject to the Hydro Officials, not the Government ? A--Well I think they are earnestly and honestly observing that situation and keeping absolutely within their appropriations as far as they possibly can. You know in constructing works like this it is inevitable that they will run over or under to a certain extent.

COMMISSIONER J.A.ROSS: At the time of this \$1,700,000 diversion that system was not in effect ?

A--It was not, this is an outgrowth of that diversion.

Q--What I am trying to get at is, before they made that diversion did they go to the Government and give the Government a chance to pass legislation or appropriate money for the amount needed ? A--I do not know that.

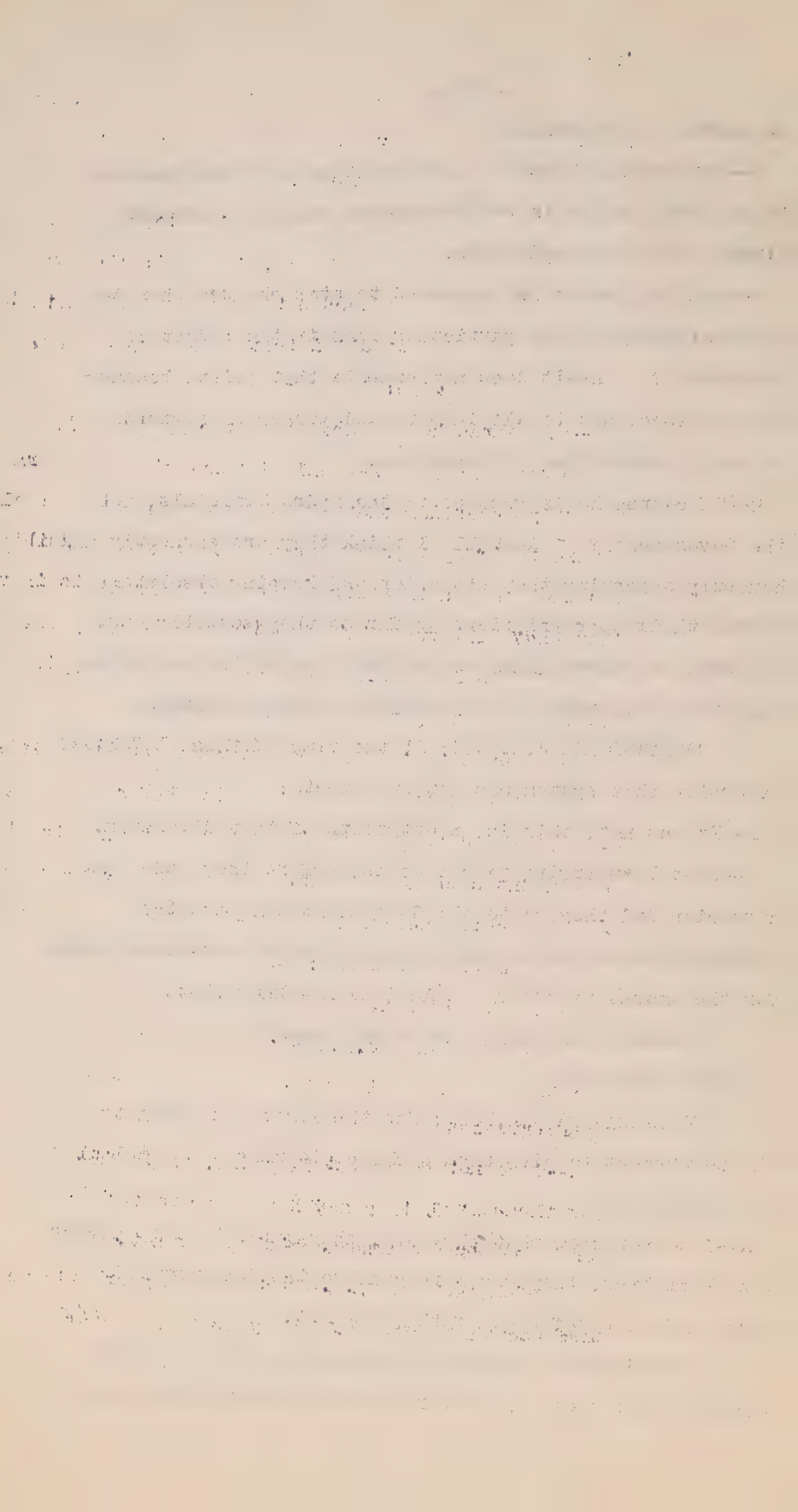
COMMISSIONER HANEY: Who should know ?

A--The Commission.

COMMISSIONER J.A.ROSS: Was the first Act going to the Government to give them a chance to make a special appropriation ?

A--I do not know what they did, they would have to answer for themselves, they may have gone to the Treasury and asked and been refused, or they may not.

COMMISSIONER R.A.ROSS: I think your evidence would indicate that from day to day as they required funds they



simply issued cheques against the common fund in the bank ?

A--They issued cheques against the general account.

COMMISSIONER HANEY: Would Mr. Pierdon have knowledge of just what transpired ?

A--I do not know.

THE CHAIRMAN: But this general account can only be used for specific purposes ?

A--Yes, I want to make that clear, because I have heard it said that moneys that came into the hands of the Hydro from one work could be used for the purpose of another, and they cannot.

Q--And you think they are not being so used ?

A--They are not, they are controlling that situation very well, and Mr. Pierdon I think is doing very good work.

Q--You said that if Mr. Pierdon saw that an appropriation was about exhausted he goes to the Government ?

A--He reports it to the Commission I suppose.

Q--Is not that what he does ?      A--Yes, and then they go to the Government.

Q--Does not the Commission, if it wants more than the appropriation, take some official action, pass a resolution requiring from the Government a certain additional sum ?

MR. GABY: Yes, passes a Minute and requisition, sent to the Government in accordance with the Legislation of 1920, Section 24-E. The Legislation was revised in that year in order that the Commission could do that, in any particular year if the expenditure was about to exceed the appropriation they made special requisition to the Government for special money on that appropriation. Previous to that time, and I think with the knowledge of the Government, we used it more as a general fund, the appropriations were not treated in the same way.

Q--And that would appear on the Minutes of the Commission?



A--Any time a further appropriation is necessary it would appear on the Minutes of the Commission, and a special request would go to the Government for such additional appropriation. And also for reductions, sometimes we did not spend all the money, we would rebate to the Government any appropriation requisitioned over and above the amount expended.

But there is one difficulty that Mr. Clarkson will inform you of in keeping closely in touch, and that is the possibility of transfers from one to another, transfers by book entries at the end of the year, not expenditures but journal entries that occur periodically in the proper business of the Commission. Those are things it is hard for any one to foresee, even at the end of the year. Mr. Pierdon could explain that fully, the difficulties we encounter from special transfers that take place even after the books are closed.

Q--Would not those be made to make up over-appropriations?

A--Oh no, but transfers of property.

MR. CLARISON: Niagara might sell \$100,000 of equipment to Central Ontario ?

THE CHAIRMAN: Is that what you refer to ?

A--Yes, they will never get to a point that they are absolutely certain that they can hold down to a dollar in their appropriations, because they cannot tell for a month or six weeks after October 31st what the exact expenditures are. But I do say they are doing exceedingly well, they are living up to the spirit of the act, and even though they may go over a little in some cases I do not think you can do any better than is being done at present.

Q--To come back to the point I raised just now, I would like to have a statement showing by what authority those transfers from the Central Ontario system to the other



systems were made.

MR. GUILFOYLE: I do not think you will find any authority, I think what has happened is this, that the expenditures for all purposes have been allotted under the different appropriations, they drew where it was available and as needed to cover these expenditures, until about 1918 when this was changed and put on a proper footing. The expenditures amounted to so much, and to cover them they drew as needed under the different appropriations, some were exceeded and some were under.

Q.--Would not the ones who signed cheques know it was being taken from money appropriated for the Central Ontario system ? A--Not necessarily. They would know more directly from the expenditure on a system as against the drawings.

Q.--They would know the money was not there, and it could be made up only by drawing on the Central Ontario ?

A--Well the way the knowledge would come would not be in the signing of the cheques. But up to that time I do not think they were properly seized of that information.

COMMISSIONER R.A.ROSS: In other words, they had a bank balance against which they drew the cheques for the different systems, and it was only at the end of the year when the bookkeeping was done that these things were properly appropriated; so it was a common fund and was used for common purposes, and then at the end of the year if they were short they had to have an appropriation covering the shortage.

COMMISSIONER J.A.ROSS: But that was against the Statute.

MR. CLARISON: Of course the Government knew in 1917 from our reports what had been done, in 1918 what had been done, and I do not recall any objection on their part. The



thing came forward specifically in 1919 when we drew it to the surface emphatically.

THE CHAIRMAN: Yes, the Government may have stood aside and not raised any objection.

A--I never heard of any objection.

Q--But we have no record of any communication between the Government and the Hydro; whether there was any or not is not clear.

MR. PIERDON: There was no communication. This situation has been discussed many times with them, and we were all working on the assumption that that general section of the Act giving us power to bank our money in one common fund and use it --

Q--Well Mr. Clarkson says he told you it did not.

A--Well I have had Counsel's opinion on that, I think I can say Mr. Pope, Colonel McInnes and Mr. Lucas, when this question was forcibly raised as to the method in which we were drawing money and using it, we pointed out we thought we were doing it properly under that section of the Act which called for the general fund, and up to 1919 when we learned that Mr. Clarkson was going to make some corrections in the Act to control us we did not pay much attention to our appropriations and our drawings, as we needed money we drew it and used it through the general fund. But subsequent to that we have lived up to the Act very carefully.

COMMISSIONER R.A. ROSS: If you were an ordinary business firm and had got your money from the public generally and not from the Government, would you not treat that in exactly the way you treated it ?

A--Yes.

Q--And to do anything else would have been business insanity. The only subject for comment, then, is on the



question of information, the Government was fully informed as to what you were taking for specific purposes. As the people who gave you this revenue were fully informed as to the withdrawals which you had appropriated to various accounts --

A--They would be informed by Mr. Clarkson and in our regular reports each year. Of course the general fund must show it was properly accounted for and audited. But in the early days, from 1906 up to possibly 1914 we had received enormous sums of money from the Government, on appropriations submitted to and passed by the Government, which were not as clearly set out as they are today. For instance they would say Transformer Stations, Transmission Lines, General Expense, and numerous other headings that had no direct reference to any particular unit of plant. We would borrow the money and use it as we saw fit to carry on certain capital expenditures. That ran up to 1914 I think and there was no comment that I can remember until 1919, then we knew that question had come up, Mr. Clarkson pointed to it in his report.

MR. CLARKSON: I never got any objection from the standpoint of the Government at all, the question of expenditure in excess of appropriations was raised wholly by us.

MR. PIERDON: When we learned the Act was going to be amended, that we could not draw on other funds when our appropriation became exhausted on any particular unit we then ceased doing it because we saw that section of the Act did not contemplate that we could use it as we were.

THE CHAIRMAN: You would not now make a diversion from an appropriation for Central Ontario ?

A--No sir, it is strictly against the law. It takes a staff of men almost daily to tabulate those, it is



practically double work to see that we do not run over the appropriations, it is a large job, but there is so much being said about it that we have had to expand the extra money in keeping it straight.

Q--A very proper expenditure I think .

A--Yes, probably it is under the Act, the Act calls for it. But I might say further I am the official who writes the memorandum from the appropriation, as chief accountant I write the memorandum to the Commission for the Chairman's signature asking for funds from the Government. And I did that throughout these years on the understanding that that section of the Act covered our drawing money as we wanted it, no matter what it was voted on. I might say the appropriations every year are <sup>made</sup> in excess of the expenditures, and I could very easily have kept within the appropriations on practically everything if we had seen the necessity of it. But we were under the impression that the estimates as presented to the Government were to give a general idea of where the money might go, and when it was voted we thought we had a license to use it in the way we did, and when it was audited and reported on everything was shown in its right light.

Q--I do not consider that you had the same client for all this fund; you had the Province of Ontario, which was quite distinct from the municipalities for whom you were acting under the Hydro scheme. If I have several clients and a common bank account I am not supposed to use the money of one client for another without special authority, and in this case the money of the Province of Ontario appropriated for a specific plant owned by the Province was used on your general municipality trusteeship system.

A--Yes, under that section.

Q--They were two distinct parties, although the Province



was financing the other one it did not own it, the relation was altogether different. A--I remember bringing up that point with either Mr. Pope or Mr. Lucas, I cannot say which, pointing out early in the Central Ontario System, 1917 or 1918 that we were drawing the funds on that appropriation and using them in other places, and they were of opinion that that section of the Act covered us, provided it was shown in the reports and audited where the money had gone.

Q--Later you paid it all back? A--Yes, with interest.

MR. CLARISON: Apparently the Commission has had legal opinion given it which is absolutely different from the legal opinion given to me.

THE CHAIRMAN: Will you let this matter stand now, we have an appointment with Mr. Bell so I think we will have to let him go on.

COMMISSIONER J.A. ROSS: You came here this morning to a public hearing, and I do not think we were actually in session when you made your statement about not having full knowledge of the diversion of \$1,700,000 from the Central Ontario to other systems. I think it only fair that you be told that and given the opportunity to speak again if you care to.

MR. CLARISON: I said there is a headline in the Star which leaves the implication that there is \$1,700,000 of funds of the Central Ontario diverted, and that we consented to that diversion. I want to say I consented to no diversion which was against the Act at any time; and further that we were not pre-auditing the accounts of the Commission so that we would know of the payment before it was made. We audited the vouchers after the payments were made, so that what we knew was perhaps a week or two or a month after the expenditure or the diversion had been



made, it was not within our power to assent or dissent, it was after it was done and not before, therefore I did not assent directly or indirectly to any diversion at all, and I do not think Sir Adam Beck's evidence says that I did. I have read it and I do not see that said.

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GRAHAM A. BELL, Esq., testifying;

THE CHAIRMAN: You are Deputy Minister of Railways and Canals ?           A--Yes sir.

Q--Statements have been made before the Commission about the shortage of water in the Trent Valley System last year and at certain times, the responsibility for which shortage has been laid upon the Dominion Government. What have you to say about it ?

A--I have dealt myself with two complaints, I think two years ago. In 1920 there was a shortage of power on the Trent System and complaints reached Ottawa through Sir Adam Beck and some of his officials that the Department of Railways and Canals was responsible for this shortage, owing to their control of the water. When this complaint first came in I was absent from the city, Mr. Bowden, our Chief Engineer of the department dealt with it, I think it was also dealt with by a small committee of the Government, it reached the acting Prime Minister anyway. I came back to Ottawa and it was drawn to my attention by Mr. Meighen and he requested me to go into it personally. I first talked the matter over with our Chief Engineer, and from my talk I was satisfied that he had acted in the best interests of all concerned, because he not only had to look after the supply of water to the Hydro, but there were certain other interests on the Trent that we had

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to take care of, and if we controlled the water entirely to suit the Hydro we would come in conflict with these private interests and probably be held responsible for damages.

Q--Would those be mills ?      A--Yes, water power running different mills.

Q--As well as navigation ?      A--In addition we had to take care of navigation, which of necessity is paramount up there, we have spent immense amounts of money opening up that waterway.

However I decided to visit Peterborough myself and look into the question. I requested Mr. Millaly our Superintending Engineer in charge of the Trent system to get together all those who were interested in Peterborough, we also advised the Hydro representative, and we met in Peterborough.

COMMISSIONER HANEY: Was Mr. Holgate in at this time ?

A--No, I will explain that. I spoke to those at the meeting and told them that the department was only interested in the proper control of that water so far as all interests were concerned and we were doing our best in that respect; that our technical advisers reported that the control in their opinion was correct and that the Hydro were wrong; I said I had every confidence in our engineers but I did not suppose they were infallible, and I had no doubt Sir Adam Beck had every confidence in his engineers, and as there was a decided difference between them I decided that there was only one way to deal with it, and that was to call in a hydraulic engineer whose reputation and experience could not be questioned, and have him go into this and make a report, and on behalf of the department I was quite willing to accept that report, whether it was for or against us. The only question was as to the man we

1. *Phragmites australis* (Cav.) Trin. ex Steud.

should choose. I had had a list of names that we were willing to take, any of them, we had communicated with some and owing to previous engagements they could not accept, others we found, -- I think Mr. Ross was connected with the Hydro or some other work at the time, and the only man who could give immediate attention of these six was Mr. Holgate of Montreal, and I said I would be glad to have an expression of opinion from each individual at the meeting including Mr. Smith the representative of the Hydro. The different people who had appeared at the meeting approved of the policy and of Mr. Holgate, in fact one of the local engineers in Peterborough said they had had a little meeting of their local engineering society the day before and they thought this was the policy that should be carried out and Mr. Holgate's name had been suggested, in engineering circles they looked on him as a little tin god and they thought we could not get a better man. I called on Mr. Smith last and he approved of the policy, I do not think he personally knew Mr. Holgate but he knew of him and he said that whatever decision Mr. Holgate reached that the Hydro, as far as he was concerned, would abide by it.

Q--Who said that ? A--Mr. G. B. Smith the local representative of the Hydro. I telephoned Mr. Holgate immediately to see if he would be free, and he arrived next day and went into the matter, he was very familiar with the Trent system, and briefly, the report is on the department files it speaks for itself, but briefly his report sustains our action in controlling the water, in fact he told me personally, paid a high tribute to Mr. Millaly, said he had handled the water very well, that he did not know where he could make any suggestion for any improvement. After that we heard no more about it, until this year, 1922, when the same question came up and certain



charges were made about our removing stop-logs and so on, I forget the details, the file will show. We again called in three names, I think Mr. Ross was one, Mr. McCrea of Ottawa and Mr. Holgate.

THE CHAIRMAN: When was this ?

A--July of this year. Mr. Holgate was again sent by the department, I understood Sir Adam Beck had agreed with the Minister that he would accept one of three, I tried to get Mr. Ross but could not locate him, Mr. McCrea was away fishing, he could not be located for three or four days, and I took it on my own responsibility as I did not hear from Sir Adam, to send Mr. Holgate up. Mr. Holgate again sustained the department, and his report speaks for itself, it is on the file. Later on we had a communication I think from Mr. Gaby if I remember aright, asking that we have Mr. J. B. McCrea.

MR. GABY: There was some communication first, we discussed the matter in Ottawa and then agreed that somebody should be appointed who was independent, and a letter was written later suggesting him.

MR. BELL: It was more as to gauge, we were using the Staff gauge and the Hydro was using the automatic gauge, which they contended was much superior to our gauge, that was one point among many that Mr. Gaby wished investigated by Mr. McCrea, we were quite satisfied with Mr. McCrea, we were satisfied with any hydraulic engineer of standing. Mr. McCrea's report has reached the department, and on the gauge question he absolutely sustains the department.

Q--You have his report ? A--Yes. I think that briefly covers the details. Mr. Millaly was the Super intending Engineer, and Mr. Jost is here, our Hydraulic Engineer. Unfortunately our Chief Engineer is ill, of necessity he



deals with matters and it is only when a dispute arises or a matter of policy comes up that it would come before me.

Q--Was there any delay on the part of your department in this matter which led to the acute shortage of power ?

A--None whatever. I may say that the trouble seems to be that Sir Adam has oversold his power when the peak comes, but of course at that time he was preparing to meet that by development of the Ranney Falls power, but up to that time the water had not been turned in and they were short when the peak came, he could not deliver what he had sold.

Q--He had plenty of generating power but was short of water ? A--Yes.

MR. GABY: How do you account for the statement you have just made when the fact is that just previous to that time we were receiving a normal supply and carrying our full load, and as soon as the level of Rice Lake had been brought back to normal and the flow restored to normal the load was again restored without Ranney Falls, supplying the demand of the municipalities and customers.

MR. BELL: Without going into details, Sir Adam Beck admitted that in my room.

MR. GABY: I do not agree with that, but how do you account for it ?

MR. BELL: That is a matter I have not gone into, Sir Adam Beck admitted it frankly, and I have heard it time and time again. I am speaking of the peak.

MR. GABY: Taking normal conditions as they had been and as they were after Rice Lake had been restored we did not require any Ranney Falls to take care of the normal demand. Those are facts that speak for themselves. I think Sir Adam 's statement may have been misunderstood, he was referring to the fact that we had not sufficient water



at the time we were discussing the matter to take care of the demand of the municipalities, but that was not normal conditions, the water was very much less as shown by records which speak for themselves.

THE CHAIRMAN: When you turned the Ranney Falls power into the system did you immediately take on extra customers?

A--We had our pulp mill, which was not operating during the period of these conditions, we put on the pulp mill immediately afterward.

Q--And that used the full power of the Ranney Falls development ? A--No, only 2,000 H.P.

Q--What became of the balance ? A--We are not using the full capacity of our plant.

Q--What are you using ? A--We are using somewhere about 16,000 H.P. I think at the time of the records I have here.

Q--What did you use for the pulp mill ? A--2,000.

Q--And there was a difference then of 14,000. I am asking about the difference between what you developed at Ranney and what you used at the pulp mill ?

A--What we did immediately after we got the normal supply was we evened the loads on all the plants, if we operated Ranney Falls up to 4,000 or 6,000 H.P. it meant that the loads were reduced on some other plant, they were all operated as one unit, it is not a matter of operating Ranney as an individual plant, we operate it all as one unit, you would have to take the total of all plants to see what our load was.

Q--But you had not taken on any extra customers ?

A--Not that I know of.

Q--Then what was the use of putting Ranney in ?

A--We put it in to take care of conditions we expected in the Fall of 1922, seasonal conditions. We were anticipating increases in the load of the municipalities,

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a gradual normal increase, the Ranney Falls plant was constructed for that purpose. But we were not oversold, because the conditions were that previous to that time, when normal water was being supplied, we were able to meet the demand, and almost immediately after, when Rice Lake had reached normal elevation again we were in a position to meet normal demand without Ranney's.

COMMISSIONER R.A.ROSS: Was there any interval between the time when normal water was restored in the river and the opening of Ranney Falls ?

A--Yes.

Q--How long ? A--A month or more.

Q--Did you during that time carry your loads with the water you got ? A--Yes.

Q--Your records will show that ? A--Yes.

MR. BELL: Nothing closed down ?

A--Nothing whatever.

THE CHAIRMAN: How long did you operate your pulp mill ?

A--Since we started this time ?

Q--Since Ranney Falls have been available ?

A--We started some time in September and have operated since; September 11 I think is the date, and we have operated since then continuously.

Q--It was not operated during the acute shortage ?

A--No it was not, on account of mark<sup>et</sup>/conditions, we could have operated the pulp mill and carried on, it was on account of market conditions affecting the sale of pulpwood that we shut down. It was shut down in March 1921.

Q--You operated only about two months last year ?

A--Yes, we did not start until September, it has been operating ever since.

COMMISSIONER R.A.ROSS: Up to a certain time you had



1140 second feet ?      A--Yes.

Q--You claim that they wished to restore the level of Rice Lake and did so during the low season ?      A--Yes.

Q--That is your comment on the situation, that they took, at the period of lowest water, the water necessary to fill up Rice Lake when you needed it for power ?

A--Yes, that is it.

COMMISSIONER HANEY: Who was responsible, it seems to me some person must have been responsible, for drawing Rice Lake below the level, and why ?

A--Well as far as drawing it down, we have no control over that at all, that is the department, we did not interfere.

Q--It must have been drawn below normal for some purpose ?

A--I think probably under normal operations there may be conditions that the lake was drawn down.

MR. BELL: Was Rice Lake drawn down ?

A--The only information we have got here is the records.

MR. BELL: By your automatic gauge ?      A--By three each gauges. We had one at      end and one between.

MR. MELLALY: Our record, which of necessity has to govern, for the reason that the control of the lake has to be accomplished by the adjustment of stop-logs and the man who is operating these stop-logs must be the one to determine at the moment what is necessary, taking the gauge at Hastings, the gauge that influences him in his action in either taking out or putting in the stop-logs in that dam, our record at Hastings shows no pulling down whatsoever of Rice Lake. The reach between Healey Falls and Hastings was pulled down to the extent of 10 inches in five days, and it was that level that had to be restored, that was pulled down by the water taken through the power house at Healey Falls.

The first thing I noticed when I stepped out of the car was the cold. It was a sharp contrast to the warm blanket I had been sitting under. I looked up at the sky, which was a pale, overcast grey. The air was thick with a damp, earthy smell, and the ground beneath my feet was wet and slippery. I took a deep breath, trying to clear my head, but the foggy atmosphere seemed to wrap around me, making it difficult to see more than a few feet ahead. I started walking, my boots crunching on the wet pavement. The city around me was a blur of motion, with cars and pedestrians rushing past. I felt a sense of isolation, as if I were the only person in the world. The foggy weather was a perfect metaphor for my state of mind. I was lost, both physically and emotionally. I had been searching for answers, but the foggy weather seemed to be hiding them from me. I walked on, my heart heavy with a sense of despair. The foggy weather was a cruel joke, making it impossible to find what I was looking for. I felt like I was walking in a dream, where everything was just out of reach. The foggy weather was a constant reminder that I was alone in this world, and that I had to find my way through the darkness on my own.

MR. BELL: Did Mr. Holgate report and agree on that ?

A--Yes entirely.

COMMISSIONER R.A. ROSS: How long would it take to pull down or restore that reach 10 inches ?

A--The reach is roughly 3600 acres in extent.

Q--How long would it take to pull that down ?

A--It was pulled down between Monday and Saturday noon.

Q--It is a comparatively small amount of water as compared with Rice Lake ?      A--Yes.

Q--How long would it take to restore that ?

A--As a matter of fact it was restored the following week at the rate of one inch a day, it came up 2 inches on Sunday, and for the balance of the week it came up at the rate of one inch a day.

Q--Was it only during that time you were short of power ?

MR. GABY: No.

MR. MELLARY: The first time was during this pulling down, they called me on Sunday night, they said they did not have enough, and during that week was the extreme shortage.

Q--They were getting short ?      A--They were getting short, and between the 16th and the 21st they built back that reach and they continued to be short the following week for the reason that the stoppage of the flow at Healey was now affecting all the reaches below, it was transmitted all the way to Trenton. We were advised that the local Utilities Commission, that the system was carrying full load again and no shortage after July 27th.

Q--So that when you had taken 10 days to restore the reach above Healey's you also had to allow for the shortage reflected down the line to the plant below, which would take more than 10 days.

A--It only took, it was the 16th they pulled down the



reach and by the 21st they had restored it to normal level, and then the following week, that would be from the 22nd to the 27th it was affecting other places.

Q--How long did your shortage last ?

MR. GABY: From the 17th until about the 27th of July.

COMMISSIONER HANEY: Was there any abnormal drawing down for navigation purposes ?

MR. KILLADY: Absolutely none.

Q--So if it was drawn off abnormally it must have been through the operations of the Hydro ? A--Their own computed discharge through the power plant at Healey Falls reveals that positively, they were using that from Monday Morning to Saturday of that week, 16th to 21st of July, a record which we get a copy of, we call it our power plant load record, it showed the average for these days was 1263 second feet at Healey Falls, 1421 on one day, that is what caused the pulling down of that reach.

COMMISSIONER R.A.ROSS: I have always had it in my mind that the shortage was caused by the raising of Rice Lake during a period of low water. Now you say you did not raise Rice Lake at all ?

MR. KILLADY: Positively no.

Q--The records will show that ? A--The records will show that positively. The automatic gauges on Rice Lake might show a difference. Our records show that during this time there was no building up on Rice Lake. Immediately before this shortage their automatic gauges showed <sup>one</sup> that Rice Lake had built up one inch and one showed it had fallen one inch, so I said the fair thing to do is to take the mean and say Rice Lake remained steady.

MR. GABY: I do not want to enter into a controversy, but I can say positively that the statement made is not in



accordance with the records, and if that had been the case we would have been able to generate the amount of power we generated after the date when Rice Lake was up to its normal level again. If we had had 1260 second feet going through that plant we would have been able to generate the power necessary to serve the customers in the Central Ontario System. As a matter of fact the water was not there, no water was being wasted, any engineer can determine how much water it requires to raise that Healey Falls level a certain height in a certain period, and the records have been computed and we have them here, and we also have the automatic gauging, not only one, but two and three in connection with that lake, they had one gauge which was read probably twice or more a day by a man stationed at that point by observation. What we have to rely on is accurate automatic gauges that have been checked against these gauges as to what the conditions were.

THE CHAIRMAN: Do you question the accuracy of their gauges ?

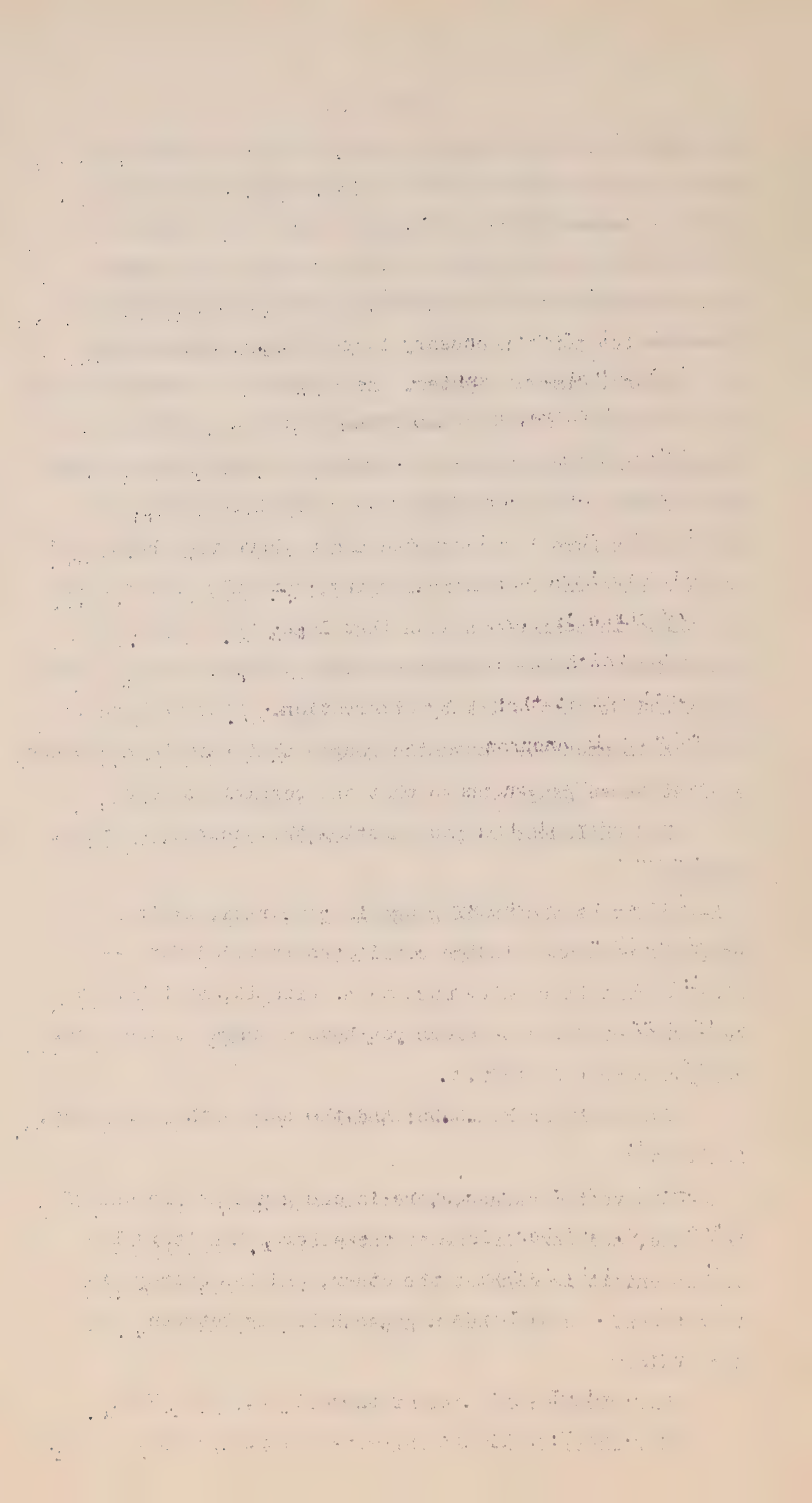
A--As far as the Staff gauge is concerned, if it is properly read and windage conditions provided for, -- windage conditions have much to do with it, that has to be corrected for and unless you have a gauge at the other end you cannot do that.

COMMISSIONER R.A.ROSS: And the same with your gauge, isn't it ?

A--We have two gauges, here is one gauge at one end of the lake, and here is one at the other, when it is low at one end it is high at the other, and the average is in between. We also had a gauge half way between, at Gore Vale.

MR. DIBBLE: No, one of these is the Gore Vale.

MR. GABY: Well this shows the average condition of



the two gauges. There are the levels as recorded at the time of the shortage. There is a normal level. There is the 27th when more water was permitted to flow and Rice Lake continued to rise.

COMMISSIONER R.A.ROSS: Those are photographs of your automatic record ?

MR. BELL: You remember when you were at Ottawa you spoke about these gauges and did not consider ours reliable, you thought yours better ?

A--I think ours are better, yes.

MR. BELL: And you named Mr. McCrea and asked for his report. Have you seen his report ?

A--As far as the calibration of the gauges is concerned we have no dispute, but I think you will find Mr. McCrea's report is that you should have other gauges in that lake to get the accurate condition.

THE CHAIRMAN: I suppose the report will be available ?

MR. KILLALY: Yes.

COMMISSIONER R.A.ROSS: The point you make is, the Government had one gauge, you had two, and possibly the difference between the two sets of gauges may have been due to wind ?

A--Yes.

Q--But you claim also it would not take seven days or ten days or whatever it may be to restore the reach above Healey's with the surplus water that normally came down, and therefore that the water disappeared somewhere ?

A--Yes.

Q--And the only place it could disappear is Rice Lake ?

A--Yes. Another feature is, normal operation has been to draw down during the week the Healey Falls stretch, and during Saturdays and Sundays to bring that reach up again by the normal flow coming down from Rice Lake. The



conditions were changed, the stop-logs were tightened three or four days before it reached the knowledge of our operating department, we did not know the normal flow was not coming down, we had not the normal flow to build it up from Saturday to Monday.

MR. KILLALY: I do not want it thought that my interruption was to in any way criticize their record, my statement was made entirely from our own record.

MR. GILBY: I am simply putting the accurate records we have of this proposition, they may be different, but we say we have checked it in every possible way and have put these automatic gauges so that we would have the information for the operation of the plant. At a later time I would be glad to have the men who are in direct touch with that, the operating department men, go into it in detail and explain what they know of the situation.

COMMISSIONER R.A.ROSS: What do your gauges show briefly, do they show a rise in the lake ?

MR. DIBBLEE: These figures represent a base line. I have read the mean elevation of Rice Lake to a base line which we took, 9.500 (Figures for other days shown). We do not think these records are true to 1/1000th of a foot of course. Our records show a flow at Healey Falls very low during the power shortage period.

MR. KILLALY: Might I ask for it on the date the power shortage was over ?

A--9.542. This is a very complicated question for a person not familiar with the geography of the country and who does not know operating conditions. It is hard to give a correct picture. There are two distinct things, there is the water shortage and the power shortage. The water shortage caused the power shortage, but it was delayed because we drew down the elevation of Healey and Hastings



reach to make it up. The power shortage is a representation of the water shortage, but concentrated into a shorter period. We drew down the Healey Hastings reach and we had to build it up again.

COMMISSIONER HANEY: You did that in your operation though ?

A--Yes. The flows before this period were very large.

Q--What stopped it ?

MR. KILLARY: It was a natural freshet.

Q--Was there any removal or putting in of stop-logs at this period ?

A--The stop-logs were all in at Hastings.

Q--They were all in and were not taken out or additional ones put in ? A--They were not taken out.

Q--So that for power purposes the Healey reach got all the flow that would naturally come, and you did not interfere with that in any way ? A--Not at all.

Q--So that the shortage at Healey Falls was due to the drawing off by the power plant below Hastings, not by you ? A--It would so appear.

MR. GABY: Well that is not quite correct. The water conditions here are as we measure going past the plant. On Friday the 14th there was 1496 second feet at Healey Falls. On Saturday 1155. Sunday 306. Monday 853. Tuesday 616. Wednesday 612. Thursday 669. After Friday the 28th it was more or less normal.

Q--What I cannot understand is if stop-logs were not interfered with at Hastings and the demand for navigation purposes was not increased by the department, you must have got all the water that would normally come into that reach, and if there was a shortage of water in that reach the Hydro people were responsible.

MR. DIBBLEE: The flow of water at Hastings is not a



natural flow, it is a regulated flow.

Q--But Mr. Killaly says the stop-logs were not interfered with.

MR. DON CARLOS: I think I can explain that in a few words. The flow at Hastings through the stop-logs is a very small portion, most of it comes through the mills.

Q--Well that is what I wanted to bring out, what regulates the flow at Hastings. Were the mills at Hastings shut down? A--Their operations changed from time to time.

COMMISSIONER R. A. ROSS: Supposing you have a wind down the lake, won't you spill a lot more over your spillway than ordinarily, might it not be possible there was a wind down the lake which carried down a lot of your water, followed by a wind up the lake which showed a depletion?

A--That would only affect the flow as it affected the level at Hastings.

The point I would like to bring out is that previous to the shortage there were large flows at Hastings, yet Rice Lake was lower than any record we have had since. During the shortage they raised the elevation of Rice Lake.

MR. KILLALY: It seems to me this discussion is leading away from the practical end, I think if you had that in mind it would be helpful. The control of water at Hastings has to be made by the adjustment of stop-logs in a dam. Therefore we cannot tell from day to day whether there is 1/1000th of an inch building up on this large area above, the man who is reading that gauge is doing his best, he is reading it five times a day, he gets a calm level time for his record. You have to consider the human element.

MR. DIBBLEE: May I make this comment. The regulation



of Rice Lake to a fixed level with a fixed flow at Peterborough would result in flows at Hastings from about 200 second feet to about 2,000. Evaporation will take 5/16ths of an inch off Rice Lake in one day, which is equivalent to a terrific flow, it is impossible to regulate Rice Lake to an absolutely fixed level, that is exactly what gives rise to our trouble. In order that we shall get anything like a constant flow at Hastings, Rice Lake must vary. A shower raises the level over 1/10th of a foot, that is equivalent to a big flow at Hastings, it is impossible to keep the level constant. What is necessary is a fairly smooth flow at Hastings, that can be determined by the flow at Healey Falls, we can measure that but there is no means of measuring at Hastings. They have a Staff gauge which tells the elevation, but that is not the flow.

We pulled down the elevation at Healey reach to carry our load thinking more flow would come, it did not come and that made the heavy shortage in a short period of time.

We wasted no water at any plant. We carried loads after the shortage with small flows far in excess of what we had before, and during the shortage we could not carry the load. If we did not waste the water and could not carry the load, we did not have the flow.

COMMISSIONER R.A.ROSS: The lesson of all this is that leaving out Ranney Falls you are up to the limit of your development on the river, with the factors that enter into normal operation of a human machine such as this.

MR. GABY: Without Ranney Falls, yes we were getting pretty nearly up to the limit.

Q--You have got about 50 per cent more machinery than you have water for it ? A--Not in the Fall .

Q--But you are at a point where you are pretty close to your limit, leaving out Ranney Falls, which came in later.



So it is a question of a narrow margin between two bodies, one regulating for navigation and the other for power.

MR. BELL: We have more than navigation, we have other owners we must take care of.

MR. DIBBLEE: There is another point, the amount of water we were short, less than 1/10th of a foot off Rice Lake would have eliminated the power shortage.

THE CHAIRMAN: Do you contend the water from Rice Lake should have been let down ?

A--Yes.

MR. KILLALY: And we contend the opposite.

MR. BELL: I am not an engineer, I have confidence in our engineer, when this dispute comes up all I can do is I call on one of the most eminent hydraulic engineers in the country and he sustains the judgment of our engineers; what more could you do ?

THE CHAIRMAN: That is Mr. McCrea ?

A--No, Mr. Holgate.

Q--How do you account for the difference between the records of the Hydro and your own ? A--I do not know.

MR. DIBBLEE: I do not want to get away from this fact, that when the power shortage started Rice Lake was away down --

MR. KILLALY: Rice Lake, as far as our record goes was exactly at normal condition.

MR. DIBBLEE: --and it was built up during this shortage.

MR. KILLALY: What about rain fall in the interval ?

A--From July 11th to July 27th, the end of the power shortage, the rain fall was less than the average for 53 years.

MR. KILLALY: You have to have a daily record of that rain fall :



THE CHAIRMAN: The great point of difference is Rice Lake.

COMMISSIONER R.A.ROSS: Your contention is that whereas Rice Lake was normal according to Mr.Killaly, if the department had given you 1/10th of a foot you would have been able to operate ?

A--Yes, we would have carried through that shortage.

Q--Did any communication pass between you at the time ?

A--Telephone communication and telegram.

Q--What was the objection to giving you the 1/10th of a foot ?

MR. KILLALY: The day that reached us, the telegram to the department about drawing off Rice Lake, that very day we had a request from the H.E.P.C. to check the flow.

MR. DON CARLOS: That was away after the power shortage.

MR. DIBBLEE: I think that is the 29th of July. Rice Lake had not been mentioned to us by anybody, about pulling it down./ MR. KILLALY: I want to point out that their own record on the 17th of July shows Rice Lake to be at a level of 9.347; the normal level for Rice Lake is 9.42.

MR. DON CARLOS: They are entirely different datums.

MR. DIBBLEE: I had one or two conversations over the telephone with Mr.Killaly, and Mr.Killaly got me so rattled I did not know what end I was standing on.

MR. GABY: We do not want to enter into any controversy. I think these things have been more or less ironed out, we have arranged for an engineer to see if we cannot come closer together. We had a meeting with Mr.Bell to see if we could not have closer co-ordination of records and flow. What we want is flow. We are not interested in Rice Lake levels, except that we think that in the interests of the power situation a little wider variation might be



allowed by the department, and we think we are getting things in shape in the last few months.

THE CHAIRMAN: Do you think with Ranney Falls and the understanding you have arrived at with the department, trouble will be avoided in the future ?

A--I hope we will have very much better co-operation.

MR. KILLALY: Might I claim a question of privilege. Mr.Dibblee made some reference to me and a message, that message was the 11th of August. The power shortage was over on the 27th of July.

MR. DIBBLEE: I hope my reference to the conversation with Mr.Killaly does not sound like a criticism; it is simply that my temperment<sup>a</sup> and Mr.Killaly's<sup>1</sup> on the telephone in a period of great stress did not enable us to reach a point that we should have until the end of the conversation, and then we were on very friendly terms.

MR. KILLALY: I had never met Mr.Dibblee, he was an entire stranger to me.

THE CHAIRMAN: You are going to let us have this report of Mr.McCrea ?

MR. BELL: Yes.

Q--Sir Adam Beck was here the other day and we asked him this question. "Q--There was some complaint last summer from some parties down there as to shortage of power. A--Well we had some kick coming ourselves.

Q--Against whom ? A--Against the ways and means that were adopted in regulating and controlling the flow of water. Q--That is by whom ? A--By the Government authorities. Q--The Dominion Government ?

A--Yes, we did not think they were using enough foresight, and had no knowledge of what was required to be done, they had too much thought of navigation, they wanted to take



care of pleasure yachts down there rather than the industries, and we complained."

MR. BELL: I can only answer by again saying that we have absolute confidence in our chief engineer and Mr. Killaly and our hydraulic engineer, and their reports were that we <sup>were</sup> properly handling the water. But as I say I was not bigoted, I was willing to call in any recognized outside authority, which we did, and they have in every case sustained us, I do not think Sir Adam is an engineer, and I am not, any business man would do just what I did, and I am quite prepared to accept any eminent engineer the Commission would like to name to go over the work of our engineers and the handling of that water and say what they think.

THE CHAIRMAN: I might say the members of our Commission were there during the shortage, I think on the 24th of July. I noticed at the time we were at Healey's Falls, a little pleasure yacht went through, apparently serving no commercial purposes, and a lot of water was used just to carry that through the lock. It struck me at the time that when there was a power shortage this might very well have been stopped altogether and the water used for power.

A--You open a large question there. We must continue navigation, you must understand there are a great many yachts from outside, American yachts.

Q--Not many are there? A--Well a considerable number.

Q--I enquired, and the average struck me as very low.

MR. KILLALY: Well it is not as large as we hoped.

MR. BELL: That is a matter of Government policy, whether to go on with navigation or use it entirely for power purposes, navigation being secondary.

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Q--Don't you think it should be secondary ? Supposing you were dealing with the power users yourself, all of them, and this shortage arose, wouldn't you be inclined to restrain the use of this water for little boats ? We had complaints there from manufacturer after manufacturer, men having cold storage warehouses, their employees were left without work, and contents spoiled because of this shortage of power. On the face of it it struck me as something that should not be.

A--I have seen deputations numbering hundreds from the Trent district insisting on the Government going on with navigation, with further development for navigation purposes, I have never seen a deputation of that size to urge the Government to abandon navigation and use the water for power development.

Q--I think if you had been in the district last summer you would have found the majority was in favour of having it for power.

A--That is a matter of personal opinion.

COMMISSIONER HANEY: I suppose navigation was considered first on the Trent system, and power secondary ?

A--Yes.

Q--Whether a yacht is large or small it has a right to the use of the canal and the locks ?

A--Yes.

Q--I do not think, unless there was some different policy adopted by the Government, it would be possible to refuse ?

A--No, it is a matter of policy with the Government, it is not with the department, I am not establishing the policy of the Government.

Q--It would hardly be a wise policy in view of the large amount of money that has been spent for navigation purposes, to refuse navigation privileges to any craft ?

A--It would be very hard. The same question was up and debated last year in the House of Commons as to the Rideau Canal, and it was pretty nearly unanimous that the Rideau



Canal was an asset to the country. Whether that is right or wrong is not for me to say.

THE CHAIRMAN: It seems to me one would find it hard to justify the spending of that money for the navigation that takes place on that river. Why can't you serve those boats by putting in a little railway? You could take them that way much quicker.

A--You know why the Trent was established, for the purpose of bringing grain from Georgian Bay to Lake Ontario. You could not take that over a Marine Railway. We have attempted to utilize some of the stretches by marine railway, they take a limited size boat, it is not satisfactory to the people of the district.

Q--I am inclined to think the Trent Valley Canal was built not so much to carry boats up the river as to carry certain gentlemen into Parliament. It struck me as a waste of water under the circumstances.

A--Of course if we had not gone on with the development of the canal for navigation you would not have had a great deal of this power, the power has been developed incidentally, it would probably be more expensive.

Q-- One remark was made, that in some cases your locks provide for carrying boats of 8 foot draft and others 6 feet, they say what is the use of having some 8 feet if others are only 6. A--When they started some sections of the canal they were not so optimistic as they were later. Boats had been increasing in size. We started the Welland Canal at 8 feet, increased to 14, now we are building 25 feet; conditions change.

COMMISSIONER R.A.ROSS: By the way, what is happening to the Newmarket Canal, I do not suppose there will be any conflict of power and navigation interests there?

A--We are not operating.



Q--Was there any power developed on the Newmarket Canal ?

MR. GABY: No, they have to pump the water.

THE CHAIRMAN: If those locks at Peterborough were all made 6 feet instead of 8, would there not be more water available for power ?

MR. BELL: You will have to ask the engineers.

MR. GABY: I doubt whether it would make any difference, except there was a fluctuation in the poundage. If a depth of level was established at 6 feet instead of 8 it would not make any difference.

MR. MILLALY: It would probably result in loss, because if you raise any level you increase its area and therefore during summer increase evaporation.

Q--Do you know anything about the leases from the Government to the Hydro ?

MR. BELL: I have sat in at some negotiations in regard to some of them.

Q--Have you a fixed price for the sale of water ?

A--Yes we have, may I explain. In the old days we had a great deal of land adjacent to the canals, certain water powers, wharfage privileges and so on. From time to time these were leased, and at that time the same value was not put on, because a piece of land was owned by the Government the general impression seemed to be that you should get it for nothing, or very little. As time went on and people realized the value of these they began to put more reasonable values on. Some three or four years ago I looked into the matter for the department, I started our right of way and lease agent going over all our lands, we value them all now at what we consider a fair but not excessive value, and based on that value we charge a rental of 6 per cent. Some of our leases are long term leases, some are perpetual, that we cannot change.

My dear Mr. [Name],

I have just received your letter of the 10th inst.

and am glad to hear from you.

I am well and hope these few lines will find you the same.

I have not much news to write at present.

I am, however, very much interested in the progress of the [Name] project.

I hope to hear from you again soon.

Yours very truly,

[Name]

I am, Sir, very much interested in the progress of the [Name] project. I have not much news to write at present. I am, however, very much interested in the progress of the [Name] project. I hope to hear from you again soon.

I am, Sir, very much interested in the progress of the [Name] project. I have not much news to write at present. I am, however, very much interested in the progress of the [Name] project. I hope to hear from you again soon.

Q--Have you got perpetual leases at low rentals ?

A--Yes, some of them.

Q--Haven't you reserved any power to change them ?

A--No. I am speaking of 50 or 60 years ago, some of them we have had to purchase. Some of them are 20 or 30 years, as these run out we readjust; but speaking offhand I cannot give just what the rates are, but we have a schedule of rates for water power.

Q--Then if water power was disposed of at an expensive development, would your rate be higher than where the development was less expensive ? A--Not necessarily, you would have to take in all the conditions. Even if it was expensive for us to develop we might have to sell it at possibly a lower rate.

COMMISSIONER HARRIS: Take the case of Ranney Falls, do you know what the Government investment was in the locks at Ranney Falls ?

A--No, but it will show on our records.

Q--Did you have to do any additional work to create the dams for power use ? A--Yes, I understand we did, I am speaking entirely from memory. I would rather you would ask the engineer who has got the records.

Q--You had quite an expensive development in the locks at Ranney Falls. In designing that did you put in any additional expenditure for the purpose of using that particular location as a power development ?

MR. JOST(hydraulic engineer) : Yes, there was specific expenditure made there to facilitate the development of power.

Q--Do you know what that amounted to ? A--No I could not say offhand.

Q--When were Ranney Falls locks put in ?

A--About 1911, 1912, 1913.



Q--Was that development put in at the same time ?

A--The facilities for it were, there was a long canal leading down to the locks, about 1/3 of a mile above the locks the canal leaves the river, and that was excavated through, and that section was excavated much larger than it would have been for navigation purposes.

Q--So that at that time you were building the locks in such a way that it could be used for the development of power as well as navigation ? A--Yes.

Q--The amount you charged 6 per cent on, would that be just the amount that would be put in for the use of power ?

COMMISSIONER HANBY: I understood from Mr. Bell it was only for the land.

MR. BELL: It was the land that is based on principally, but in this particular case there was some special charge in connection with special works that were put in.

Q--And on that you charge 6 per cent ? A--Yes.

Q--And that is really converted into a price for water per H.P. ? A--Yes.

Q--And there is an additional rental for the water in addition to that, is there ? A--Yes.

COMMISSIONER R.A. ROSS: How was that part of the river navigated before the locks were built ?

A--There was no navigation, except logs going down.

COMMISSIONER HARRIS: If there had been no investment for navigation and Ranney Falls had been left in its natural condition, supposing a power company were to develop that for power only, their investment in dams and other necessary works, would that have been more than what the Government did ?

MR. BELL: I understood from our chief engineer when we were discussing this some months ago that if it had been in its natural condition and a company had gone in there it



would have cost them more to develop than we were charging.

MR. JOST: Yes, considerably more, because part of our expenditure which we charged up to navigation purposes would have had to be borne by them.

COMMISSIONER HANEY: Well practically the dam across the river would have had to be built for the power development, and you built that for navigation ?

A--Yes.

Q--Did you charge any portion of that expenditure for power ? A--What we considered had been built for power purposes only was charged.

COMMISSIONER HARRIS: Was the lease at Ranney Falls owned by the Seymour Power Company previous to the taking over by the Province ?

A--No we never entered into a lease with them.

Q--So that was entirely free ? A--Entirely free when the negotiations started with the Hydro.

Q--Then the negotiations for the lease were carried on by the Ontario Government ? A--Well I do not know who Sir Adam was acting for, the negotiations were entirely with Sir Adam or some of his officials.

Q--Well of course the Ontario Government purchased all the rights of the Seymour Power Company, and any expenditures that have been made for the development of the Trent System power have been made by the Ontario Government.

A--If I remember correctly the Ontario Government passed an Order in Council authorizing the Hydro to lease it.

Q--Well that must have been done on behalf of the Ontario Government, because the Ontario Government owns all those properties. A--Yes, we were acting with Sir Adam as agent for the Ontario Government I suppose, and not as Chairman of the Hydro Commission.

Q--Before they started that Ranney Falls development did



they approach the department for a lease or agreement ?

MR. FAIRWEATHER: No, they did not for some time, they were going ahead with their work and we drew their attention that before they could get their water they would have to enter into an agreement with us, and they would not be permitted to cut through the bank until they did it. There was some correspondence and conversation off and on for a considerable period, they made practically no move, no serious move until I think just after this shortage the lease was executed.

Q--You mean they did not make any move until this year ?

A--This year.

Q--It was just at that time that Ranney Falls was completed ?

A--Yes.

Q--And no move made by the Hydro to make an agreement with the department ? A--Practically none, it was mentioned offhand <sup>but</sup> they did not come down and sit in or submit a proposal of any kind.

Q--Were you urging them all the time ? A--Yes, time and time again. We finally made a draft lease without having sat in with them, and forwarded it to them.

Q--You made a draft lease ? A--Yes, do you remember the time that was prepared ?

MR. KILLALY: I think the Fall of 1921.

MR. JOST: No, I think the Spring.

MR. GABY: Might I refresh your memory on that ?

In 1918 the Minister of Railways and Canals was interviewed in regard to cleaning up all the matters on the Trent, subsequent to the Order in Council authorizing the going on with the Ranney Falls development, and the matter was taken up at that time. Also a letter was forwarded to the Deputy Minister November 23rd 1920 and formal application made for the construction at Ranney Falls. That is before



we commenced. At that time you advised us there were two other leases outstanding --

MR. BELL: What move did you make then ?

MR. GABY: Application was made December 9th 1920.

MR. BELL: We were quite agreeable to entering into a lease, and time and time again we drew it to your attention that you should sit in.

MR. GABY: We were waiting for the form of the lease, and it was not received until May 1922.

MR. BELL: It was not our business to forward you a lease, it was your business to come down and sit in and discuss terms.

MR. GABY: We were down in 1920 and 1921. As I remember we were to await a form of lease from you, and as soon as that was obtained we started negotiations.

MR. BELL: We did not so understand it.

MR. KILLALY: The difficulty was to draft a lease with people with whom we had no agreement. We urged a conference to discuss the questions, we knew there was a wide difference between the Hydro and ourselves as to rights there. That conference was delayed.

COMMISSIONER HARRIS: Mr. Gaby says they made an application in 1920. What form was that application in ?

MR. GABY: A written application of some kind.

MR. BELL: Isn't it quite true we have always advised you that we were quite ready to enter into a lease ?

MR. GABY: Yes, no doubt about that, simply these negotiations were going on from 1920 right through, discussions took place from time to time.

MR. BELL: But nothing very concrete.

MR. GABY: Well personally I do not know, it was dealt with by Counsel for the Commission.

MR. FAIRWEATHER: The time the Hydro were asking for a

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form of lease and we were asking for a conference on terms so that I would know what to put in formal shape, Mr. Lucas arrived, it was his first appearance as far as I know, he claimed not to be acquainted with the situation, and I know I turned over to him the confidential memorandum prepared by the department's solicitors for myself, which contained a full account of both sides of the legal controversy, the weaknesses of our case, if there were any, as well as the strength, ordinarily it would not have been turned over, but that was turned over to Mr. Lucas, and then he went to the engineers and discussed that from the practical point of view. But my understanding was that he would come back here and look into the whole legal situation and then come back and we could discuss the terms, which could then be readily put in shape.

THE CHAIRMAN: Did he come back ?

A--No not for a considerable time, and then when he came back he went to see the Minister and I was called in, and the question was put to me by the Minister how soon we could give him a formal lease, and I think we gave him one that night.

Q--That would be when ?

MR. JOST: Early in May 1922.

MR. FAIRWEATHER: And of course the solution of all these legal difficulties that would have developed at a discussion if we had ever had a good one, which we did not, is to be found in the next to the last clause in the lease which is now signed, which is a declaration of rights by the Hydro Commission, accepting the terms under protest and I think without prejudice to their rights or the rights of the Province or anything else. We accepted that, and that left undiscussed and unsettled all the legal questions between us, that took the place of



the conference.

Q--I understood the opening of the Ranney Falls was delayed last summer through the failure of the Dominion Government to give a lease.

MR. BELL: We refused to let the Hydro cut through the bank until they had a lease, they had ample time to come and negotiate, they had a draft lease, and we did not propose to be rushed in the cutting of the bank without a lease, we wanted to get a lease, get down to something, once they were in there they would be in possession, we would not take any chances.

Q--So you disclaim any responsibility for any unnecessary delay ? A--Absolutely.

MR. JOST: They were advised November 23rd 1920 that it would be necessary to come. Mr. Lucas' first visit was made in October or November 1921.

SIR ADAM BECK: Why did you not give in 1920 some kind of document that we might have considered ?

MR. BELL: We were asking you to come and sit in. As a rule when you are negotiating a lease of this kind people sit in and consider the conditions, and then based on that you draw a lease, which is then gone over by both sides. Then we could come together as we finally did. The Hydro did not do that.

SIR ADAM BECK: I presume we thought this, the Parks Commission of Ontario have a form of lease for water powers, I presumed that they would have a standard form of lease that would be a basis for negotiation, and we expected to get that, and apparently Mr. Lucas got that one evening after getting there in the morning. If we had had that form of lease we would have had something to work on, but I suppose being a Government, a public body, the thing dragged along more than it should. We felt that in



sitting in we were sat on, because we just signed what was put before us in the end.

Q--When was the lease finally signed ?

A--July 26th.

SIR ADAM BECK: I thought the controversy was only a matter of water, I thought we would get the lease we were operating under in all the other water powers that we had acquired, and I thought the rentals might apply, but we found the rentals doubled, very good reasons given of course from their standpoint, we thought as a matter of public interest we might have continued on the basis that the others had been let, the same terms and conditions. And then there was always that question about revision and acknowledgment of water rights of the Province. I suppose that being in the air, and as there is a case now, isn't there ? -- these things probably delayed matters, but if we had got in 1920 some form of lease as we did on the day Mr. Lucas got there, we would have had something to go on, had a good idea what we had to contend with.

Q--Did the lease remain with you from May until July ?

MR. GABY: Yes, it was gone over and objections taken.

MR. FAIRWEATHER: There was a good deal of searching of legal opinion, I think it was the same question that faced me when I was asked to draw the lease. The situation there was extraordinary with regard to the ownership of the bed of the river and the water power that went with it. It was finally not cleared up but only left in status quo by this long declaration of rights which we accepted and put in the end of the lease.

Q--You wanted to be protected, if there was any litigation in the future you did not want to be prejudiced ?

A--Yes.

Q--Was any specific change made in the lease after you



gave it to Mr. Lucas in May and when executed in July ?

A--I think we did make some changes.

SIR ADAM BECK: Only in the way of protecting the Province's rights.

Q--If the lease had been finally settled and executed back in May, would it have been possible to turn on the power at Ranney Falls before it was turned on ?

SIR ADAM BECK: Yes, if we had water.

MR. GABY: Yes, it could have been turned on sooner.

Q--How much sooner ? A--Probably two months.

Q--Then you would have had no power shortage that summer ? A--That situation would not affect us, because we would still have had a power shortage.

Q--Well it would have been greatly lessened ?

A--Yes, to the extent that Ranney was developed.

MR. FAIRWEATHER: As a matter of fact were you not driving straight ahead with your Ranney development ?

A--We could have been finished in June.

Q--When did you start ? A--We started some time in August or September.

MR. BELL: I understand it would take about 10 days to cut through that bank and make the connection.

MR. GABY: About that.

MR. BELL: That is the only part we were responsible for.

MR. GABY: That would not take long. There were other difficulties we ran into.

MR. BELL: In other words we did not cause any delay.

SIR ADAM BECK: We take so much blame and responsibility, why worry you at all, a little more or less does not hurt us.

THE CHAIRMAN: It would seem a little more business-like to have made a lease before you put yourself in their

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hands. A--Well you are a lawyer, we placed it in the hands of the legal department, and I guess they were pretty well burdened with legal matters about that time, there were some difficulties in the lease, and we had spent about \$200,000 in the purchase of riparian rights at the time, we thought we had cleaned it all up. I think you have a share of the blame.

COMMISSIONER HANEY: Mr. Pope in his evidence said \$400,000.

A--Yes I suppose we did. We did everything we had to do, we never spent any money we did not have to.

Q--It would appear that this acute stage of the signing of the lease and the shortage of power occurred simultaneously. Was there any connection between the two ?

MR. GABY: I would not like to say.

MR. BELL: We had given the draft lease before it was executed, and any action on our part did not delay the opening of that plant.

Q--Was the lease you gave to Mr. Lucas in May executed ?

A--No, it was a draft lease, we had no information at all, we had to submit something.

MR. GABY: The opening of the bank would have meant we could have been open in June, we got it opened in July, we could have got on that much sooner because the difficulties were not then encountered, we could not foresee until the water was in the plant, adjustments that you could not determine until you had the water in the plant. It was simply a delay between the time of opening and letting the water in.

COMMISSIONER HARRIS: Is that the general custom in the department at Ottawa, that you allow people to go in and develop water power and start their work before getting a lease ?



MR. BELL: Absolutely no, they were on their own ground until we refused to allow them to cut in.

THE CHAIRMAN: Did you let them go on the ground ?

A--No, not until they made the connection. All they had to do was to cut through the bank and get the water, we refused to allow them to do that until we had the lease.

Q--Well you knew what they were aiming to do. That was the ground you purchased from the Seymour Power Company.

SIR ADAM BECK: I think they intended giving us a lease, and we intended making one, and it was just a matter of the last pound of flesh we would have to give.

THE CHAIRMAN: I think the responsibility might be shifted to the lawyers.

A--I do not know if we can blame the Dominion authorities or they us.

COMMISSIONER HARRIS: Is your department and the Hydro Commission at the present time working in full co-operation?

MR. BELL: I know of no difficulty between us at present.

SIR ADAM BECK: Don't you think everything is sweet and harmonious down there ? You have said now we have got to a finality on this thing, we are going to do this and you are going to do that, you have sent an independent man --

MR. BELL: And we are quite willing to take his opinion, and you are too. Under those circumstances there should be no trouble.

Q--In addition to your official position you are now one of the Vice-Presidents of the Canadian National Railway, are you not ?

MR. BELL: Yes.

Q--Is the Canadian National Railway putting any obstacle in the way of the Hydro ?



A--None whatever, -- I presume you refer to the railways ?

Q--Yes. A--Absolutely no.

Q--Was Sir Adam Beck justified, when speaking last night, in saying, "We have had opposition and obstacles put in our way by officials of our own Canadian National Railway." ?

A--No, no obstacle has been put in Sir Adam's way in any shape or form, in fact the instructions to our officials, -- I have gone into the matter carefully myself, -- are to keep absolutely apart from that, take no part in that controversy at all.

SIR ADAM BECK: I put you in the higher-ups, it is the <sup>e</sup>flows out on the line I am talking about.

MR. BELL: I am telling you what the instructions are.

SIR ADAM BECK: I think that is perfectly right, and so is Mr. Hungerford in his department. These are men that I complained to Mr. Hanna about.

THE CHAIRMAN: If Sir Adam finds these people are putting obstacles in his way, and names them to you --

MR. BELL: I say, acting in place of the Chairman, I can answer for the Chairman that he will have an investigation immediately. I am safe in saying that.

COMMISSIONER HARRIS: Sir Adam also stated that he complained that the Hydro had not received any great help from the Government at Ottawa, you did not see them falling over themselves to give rates on the Trent Canal which they were ready to hand out to the private interests.

A--I hardly think that is a fair statement, in fact I think we have favoured the Hydro, I think it has been our policy that the Hydro has a first choice before the private interests, I know of no case, -- if he will name a case on the Trent where we have favoured private interests in place of the Hydro I will be glad to take it up, I know of no case.



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THE CHAIRMAN: The only issue is between pleasure yachts and the Hydro.

SIR ADAM BECK: I was referring to the \$4 rate. At Niagara Falls you have a fixed rental for power development, the Province has a fixed rate for power development, whether large or small, difficult or easy, 50 cents, and we thought the maximum in that district was \$2 and we fixed our prices based on a maximum of \$2, and it was rather a shock to be charged \$4.

MR. BELL: I understood it that we were favouring private interests as against the Hydro. I can say, to give a concrete case, Ranney Falls, any one negotiating for that would have paid exactly the same price that we charged the Hydro.

SIR ADAM BECK: The \$4 rate seemed extraordinary to us after buying all the riparian rights at an enormous price. I still think you were too exacting, and that is what I referred to.

COMMISSIONER R.A.ROSS: Well you are the heir to the 50 cent rate now.

A--Yes, but it was the maximum that was charged in that district and was our guide in fixing our price, and then we got this \$4 price.

Q--You will have to average it over the system ?

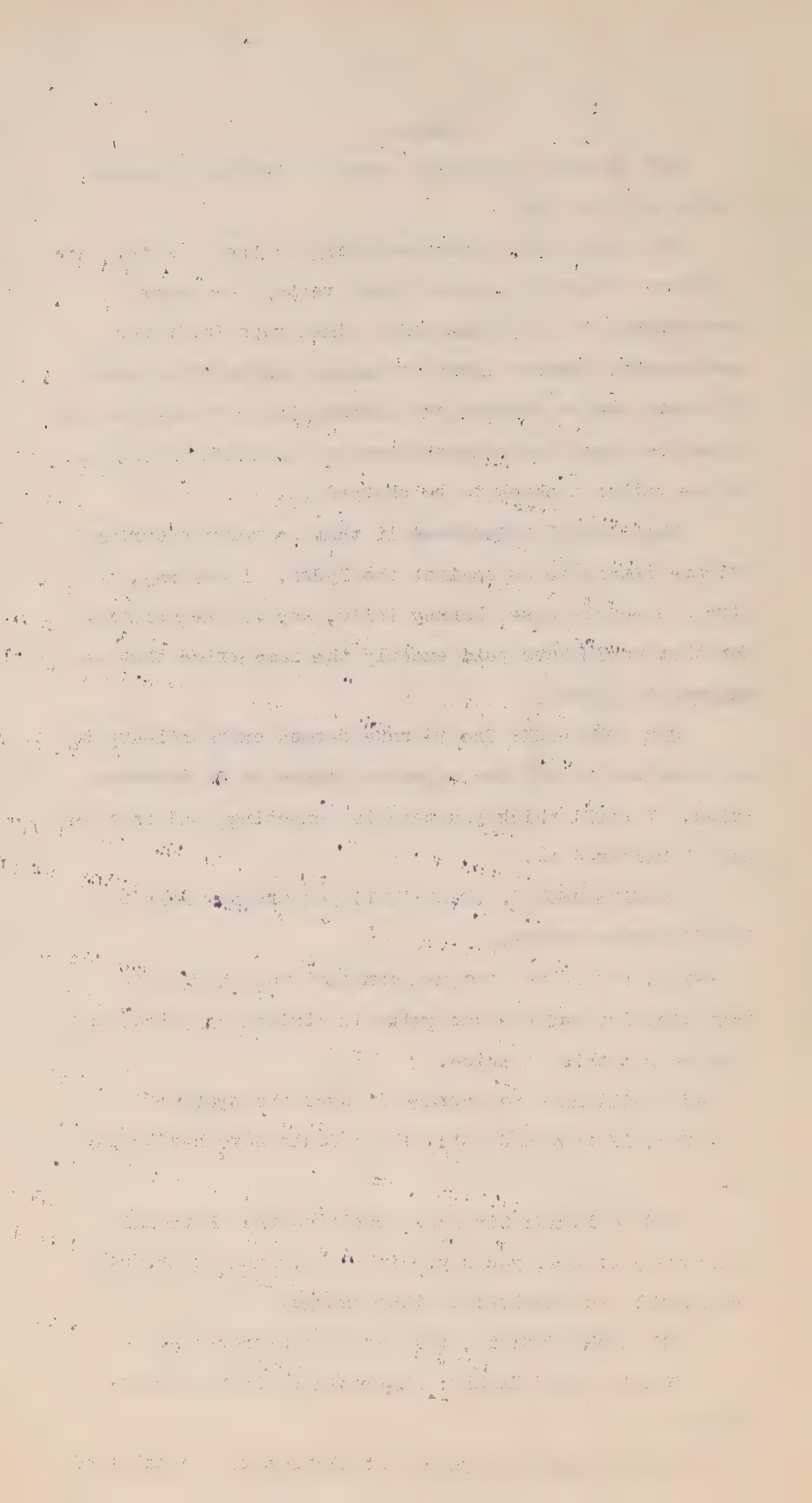
A--Yes, if they had said \$10 we would have had to pay it.

THE CHAIRMAN: Sir Adam mentioned the National Railways just now, you say neither Mr.Hanna or Mr.Ruel or Mr.Bell are involved in that charge.

SIR ADAM BECK: No, they are the higher-ups.

COMMISSIONER HARRIS: Who would be in the lower-downs ?

A--I am not going to make that statement, I complained



to Mr. Hanna and he tried to subdue it but even he for some reason could not.

THE CHAIRMAN: But Mr. Hanna is not there, and Mr. Bell said if the names are given to him he would have it looked into.

When did you make your last deal for the sale of water to private power interests on the Trent ?

MR. BELL: I do not know of any, I think the Hydro during my time, I mean within the last five or six years, the Hydro has had anything that is in sight.

COMMISSIONER HANEY: The Hydro have owned all these properties since 1916, or the Government.

MR. BELL: Of course you understand the Hydro supposedly took over certain leases that the Seymour people had, but the Seymour people had not executed these leases, and it was a case of fresh negotiations.

THE CHAIRMAN: Some leases they thought they were taking from the Seymour people were not held by Seymours ? A--Only nominally, they were in possession but they had not executed the lease with the department. I think they are all closed out now, are they not ?

MR. FAIRWEATHER: There are two.

MR. BELL: And we made an offer at the time we were negotiating at Ranney Falls to Sir Adam to give him further power there, undeveloped power.

THE CHAIRMAN: Are they getting power now at certain generating plants for which they have not the lease ?

A--The lease has not been formally executed.

Q--What are they paying for that ?

A--\$2.

MR. GABY: There are legal difficulties.

SIR ADAM BECK: Again the lawyers. But we have paid all our rentals, haven't we, whatever you said we did, didn't we ?



MR. BELL: There are some contentious items that I do not think you have paid.

SIR ADAM BECK: What do you get out of that canal in the way of fees from navigation ?

A--Nothing.

SIR ADAM BECK: Then you might have been a little easy with us, we are doing all we do for the public.

MR. BELL: You know what the argument is, that the immense amount of money that the tourists bring in benefits the country.

COMMISSIONER HARRIS: Isn't it the fact that the great influx of tourists now comes in by automobile ?

MR. BELL: Well some, but it is maintained that the waterway is of great importance to the district.

SIR ADAM BECK: The canal is obsolete except for power purposes.

THE CHAIRMAN: Can you say there has been a considerable amount of navigation on the Trent Canal ?

A--Only for pleasure yachts, it cannot be tested as a commercial proposition when it is not finished all the way through.

Q--I remember some years ago the principal use of the Trent Walley Canal was carrying cordwood. Do you get anything for that now ? A--We do not charge tolls on any of the canals.

Q--It seems rather a long time even for lawyers to be occupied in settling these leases, from 1916 to 1922, 8 years.

MR. GABY: There are third parties entering into it.

COMMISSIONER HARRIS: Is that any reason why we should get our power for nothing ?

THE CHAIRMAN: Were any of these power sites on the canal promised to the Hydro by letter prior to 1911 ?



MR. BELL: Not that I know of.

Q--Were any promised by the Government to the Seymour power interests when Mr. Graham was Minister of Railways ?

A--I cannot tell without looking up the correspondence.

MR. JOST: No I think not.

Q--Seymours complained that they had letters from the department promising them leases, and then I think Mr. Pope said letters had been written to the Hydro promising them.

MR. BELL: Were the Seymour Company's representatives here giving evidence ?

THE CHAIRMAN: Yes they were, they are not here today.

MR. BELL: We have been trying to locate these people. Have they any assets ?

MR. GABY: I do not think so.

MR. BELL: What did they do with all the money you gave them ?

SIR ADAM BECK: I do not know.

THE CHAIRMAN: Is the whole of this rental retained by the Dominion Government ?

MR. BELL: Yes sir.

Q--Is it the intention to pay any part to the Province ?

A--Of course you understand there has been a lawsuit pending.

Q--Yes it has been pending almost longer than this lease.

A--My understanding is the Dominion have a pretty good case and the matter is not being pressed.

COMMISSIONER HARRIS: Isn't the situation so far as the Trent Canal system is concerned, this, that it started about 100 years ago, the first agitation ?

A--Yes, and there were parts of the Trent system built by the Ontario Government, certain dams, then some dams were built for the purpose of taking care of the lumbermen,

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and there were a lot of these dams some years ago turned over to the Dominion Government, and the Dominion Government undertook to be responsible for them. It is quite a complicated situation.

Q--It was always a navigation problem? A--Yes, in the early days almost entirely.

Q--And since they first started I think the Dominion Government has invested about \$20,000,000? A--Yes.

Q--And it is only within the last fifteen years say, or twenty years that the power end became prominent at all?

A--That is quite true.

Q--I do not think the public generally understand the history of it.

SIR ADAM BECK : Do you think they ever will? If you are going to educate them you have got some job.

Q--Well I think it is well to point out these things as we go along so that anyone who reads it, which I do not think they will, but this information ought to be there as a historical record. 25 or 50 years from now they will have forgotten all about the attitude and the connection that the Hydro has with the matter.

SIR ADAM BECK : Some of them want to forget it now.

THE CHAIRMAN : You have some of your men with you. Is there anything you would like them to say to us?

MR. BELL : No. The Chief Engineer is the man who has control of this, it is his duty to gather the information together, it is only when there is a matter of policy in dispute that I would come in, and as he was laid up I thought it better to have Mr. Killaly and Mr. Jost here, and between them they have that technical knowledge which the Chief Engineer could have given himself. And I do not know but what certain records that you wanted and asked that we bring, Mr. Jost has them and would be glad to give you



any information you may require.

THE CHAIRMAN : Is there anything, Sir Adam or Mr. Gaby, that you would like to ask ?

SIR ADAM BECK : No.

MR. GABY : No.

COMMISSIONER HARRIS : If you get into a discussion of these technical matters you may be here for days.

MR. JOST : May I add a word of explanation about that \$4 rate ? Sir Adam says he was surprised after having acquired all the power rights to be faced with the \$4 charge. The \$4 was on a section on which he did not acquire the rights, we had acquired these rights and owned the power.

Q--What rights do you speak of ? A--Riparian rights and power rights.

Q--You had acquired them by purchase ? A--By purchase. The total head of Ranney Falls is 48 feet, and some of that is there by reason of the fact that in connection with the construction of the canal we destroyed an old canal, and in destroying that we reimbursed the power owners at that point.

COMMISSIONER HANEY : What was the head at that point?

A--I think ten feet.

Q--That would leave you 38 feet at Ranney Falls ?

A--About 38 feet. And on that ten feet the \$4 charge applies.

THE CHAIRMAN : That is because you had to go to the expense of acquiring these rights.

But the riparian rights at Ranney Falls were owned by the Hydro by purchase from the Seymour people ?

A--But in the purchase of that power we transferred to Ranney Falls another ten feet of head.

Q--But you purchased no rights at Ranney Falls ? A--No, but we purchased ten feet which are at Ranney Falls to-day.



Q--And apart from that it would have been \$2 ?

A--It would have been \$2.

MR. FAIRWEATHER : It is understood we will file the reports by Mr. Holgate and Mr. McGrae.

THE CHAIRMAN : Yes.

MR. KILLALY : I would like the gentlemen to understand there is absolutely no friction between the local Commission representatives on the Trent and ourselves. We are co-operating and trying to help one another, we believe we have done a great deal to help them and I think they give us credit for it. As one instance, I took it on myself to place six inch strips on part of the stop logs at Ranney Falls to save that water for their peak load operation. Frequently in the middle of the night we are called out of bed and go out and assist them. We are doing everything we can.

COMMISSIONER R. A. ROSS : In other words engineers always co-operate? A--Well, I did not want the impression to go abroad that there is friction between us, because there is none whatever.

THE CHAIRMAN : I think the principal criticism was that telephone conversation, it seems to have been rather strong. A--That was after the trouble was all over, it was another matter entirely.

COMMISSIONER HARRIS : You had never met each other at the time ? A--No, I did not know of his existence at that time.

Another matter which is rather interesting is the history of the canal. Now while the Trent Canal is a very much attacked question I think you have to give our forefathers credit for their intentions. After the war of 1812 it was a question of developing navigation between here and the Great Lakes. In 1804 there were only canals



of 2½ feet. When the Imperial Government attempted to get to the Great Lakes their system of navigation was not following the St. Lawrence River, it was known as the Montreal-Kingston navigation via Ottawa, and the Imperial Government assisted in constructing the Ottawa River canals. Carrying out that same plan locks were undertaken on the Trent system with the idea of connecting Lake Ontario and Lake Huron, that agitation was on at the same time as the agitation for the construction of the Welland Canal, and the Government at first refused to construct the Welland Canal but gave the right to a private corporation. Therefore you see the Trent Canal was intended as a waterway away from the International Border as it was exposed then.

THE CHAIRMAN : I do not think we can blame it all on our forefathers; my recollection is that about nine-tenths of that money was spent long after communication through the Welland Canal had been established. About 25 or 30 years ago the total capital cost against the Trent system was two or three million dollars. Now it is twenty or thirty million. A--But this amount having been expended on opening the Trent inland waterways, connected large stretches, 160 miles of continuous navigation, and only a small amount remained to connect with Lake Ontario in distance, but of course it was expensive construction work.

Q--It may justify itself to some extent yet. If it had not been built money would have had to be spent to create this power, and there is no doubt it may be the means of getting a great many tourists in. A--Another thing that credit should be given for is the foresight of the engineers in designing the canal. I am speaking of the recent construction, the canal was located to make available the maximum head, Healey Falls was located where it is with the



express purpose of power development for the people of this country, the same at Ranney Falls, the canal there for over half a mile was made of sufficient area to accommodate the flow for power as well as navigation, and at dam No. 8 and 9 and other dams below this was all foreseen and provision made for power development at the lowest cost.

COMMISSIONER J. A. ROSS : How many boats go through the canal in a year ? A--I could not say, it is not important.

Q--Why don't you sell your navigation rights ? A--Well you are only speaking to an official.

SIR ADAM BECK : It seems I left a wrong impression the other day --

COMMISSIONER HANEY : On the "Star" reporter.

COMMISSIONER J. A. ROSS : I think your language was wrong as taken by our reporter here.

SIR ADAM BECK : I suppose my language was wrong in regard to the pre-auditing, I have always used that word because Mr. Andrews our Auditor was called a pre-auditor. What I meant to convey was that it was a running audit, not doing the whole work at the end of the year, but a continuous audit, I was trying to leave the impression that we had a running audit, instead of using the word pre-audit that is what I meant to say, the auditors are there daily taking care of the work so as not to have an accumulation at the end of the year, and they know daily or monthly the transactions that go through. But I should have said a running audit, not pre-audit.

COMMISSIONER HANEY : After the event rather than before ? A--Yes, absolutely, you cannot audit anything until it is done, I got that word "pre" in wrong. What Mr. Elarkeon does is a continuous or running audit.

In regard to that one million some odd thousand that



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you have reported on, what I meant to say was he had already made mention of it, it was not a new thing, you have discovered that he publicly and at the time reported to the Government and to us the Commission that these funds had been used in this peculiar way.

That is just an explanation in fairness to myself and to the accountants. When they make me say they knew about this before it occurred, that is absurd. They discovered it amongst other things, I think we all knew about it.

COMMISSIONER HANEY : You act first and report afterward I suppose ?

SIR ADAM BECK : Well, I don't know, we get enough reporting anyway.

MR. CLARKSON : There are one or two things I wanted to mention in regard to the evidence given on Central Ontario. The other day you were discussing the question of the Belleville franchise, it was said that the Belleville plant was shown on the books at so much for the tangible property and so much for intangibles. At the same time it was pointed out that there was a franchise allowing the Town, if it so desired, to take over the undertaking at the fair value of the tangible assets.

THE CHAIRMAN : I do not think it was Belleville.

A--Well, some other. And the question was asked, if the Town did take over the plant at the value of the tangibles, what happened to the intangibles, and also if the Government would lose it. I think the impression was left in your minds that the Government would lose the amount of the intangibles. I want to say I do not agree with that. If the Town should take over the plant at the physical value there is no obligation to give power at cost, it would charge a price for power which in time would give it back the



amount.

Q--That is they might get it back indirectly ?

A--Yes, the Government could recover that intangible price in that way.

COMMISSIONER HANEY : Would it not be better to sell as a going concern ? A--That would be better, but if the Town came and said, "Here is our franchise, we are only going to pay so much because that is the value of the physical plant, now sell it" they might be legally entitled to compel them to do it, but there is no crux on the system to sell power at cost.

Q--Because the intangible is a charge on the plant ?

A--It is something the Government could get back by loading the price of power.

THE CHAIRMAN : It is possible that where they did not have to sell on the terms mentioned in this agreement they might get more ? A--Get a fair price.

Q--There seems to me to be this objection, if they come under the Hydro system they have to have power at cost, and they cannot take into consideration what these people paid for the plant they are operating ? A--You cannot come into the Hydro system with this thing unless the municipalities pay a reasonable price for these properties having regard to the cost to the Government, or the Government wants to write off the loss.

Q--It may be the municipalities will not be willing to come in on the present basis ? A--Then it is a matter for negotiation.

Q--Then the Government would have to decide whether to let them have it at the price they could get, or continue to operate ? A--Yes. The point I want to make is that under the situation discussed the other day it by no means follows that the Government is committed to a loss.



Q--Unless they can make it up in this indirect way, they cannot make it directly. They have to sell under those conditions? A--No, they have the power to make it up indirectly.

COMMISSIONER HANEY : Isn't there another feature, that the right to take this over was established by a franchise with the old company, and that did not involve an obligation of the old company selling them power at cost? A--No, the old company was not bound to sell at cost, that is the point.

THE CHAIRMAN : I think you will find difficulty to raise that money in an indirect way, the people would say, "We are just exercising the right under our franchise, and you should not endeavour to get back at us by raising the rates"? A--I feel that if there is going to be a placing of this system on the Hydro municipality basis there has to be give and take on both sides.

COMMISSIONER J. A. ROSS : Your point is there is no difference between tangibles and intangibles as assets, that is the Government paid a certain amount for the whole thing, and the intangibles cannot be wiped out without someone taking up the cost or charging it in the rates. It cannot be brushed aside? A--It cannot be brushed aside, particularly as the power is in the hands of the Government to make it up. That is the point I make.

The next point is about the annual statement to the local utilities. Up to 1918 it was impossible to make any true statement showing the earnings or deficits of any local utility. You could not tell what the cost of power was. And even though there were cost contracts in existence at that time. We tried several means of working out costs and could not do it and had to throw up our hands. But in 1918 these tie lines were constructed, and then it was



possible to determine costs. The Commission could not come to complete agreement as to the basis until 1921.

COMMISSIONER HANEY : Were the costs spread over the whole system when the tie lines were completed ?

A--It is figured specifically, just like the Hydro municipal basis.

Q--Was the whole system grouped ? A--You have to take the circle and group it in that.

THE CHAIRMAN : Since 1919 you have applied in determining costs the same practice you adopt in the Hydro system ?

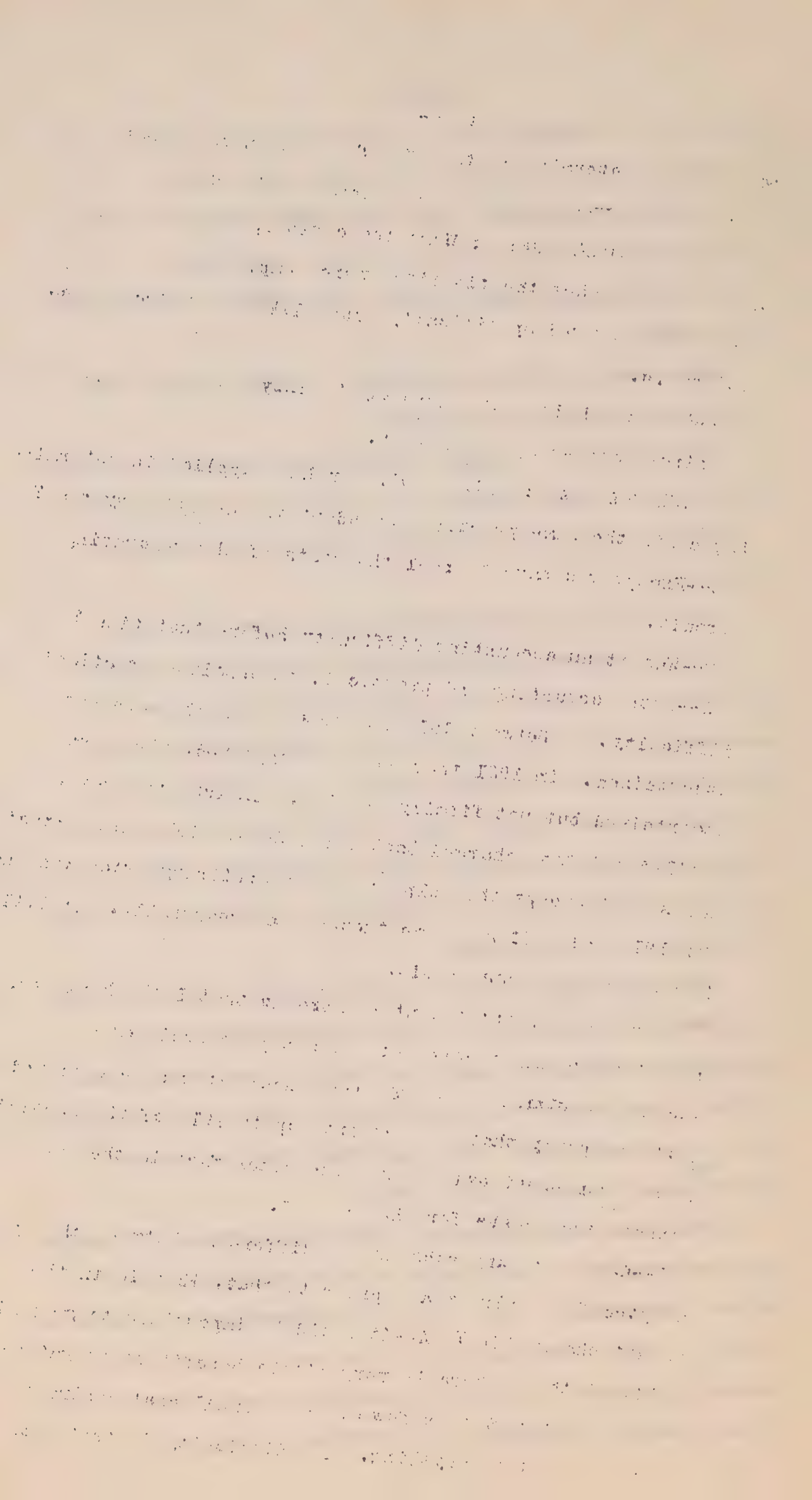
A--Except you have to pool the costs of the generating circuit.

Q--Was it an accounting difficulty before that time ?

A--Both accounting and practical, an absolute practical difficulty. Between 1919 and 1920 the costs were not ascertained. In 1921 they were not approved, they were ascertained but not finally settled. In 1921 they were settled and then charged back for 1920 and 1919 on an exact basis, all except the pulp, where an arbitrary price was charged for 1919 and 1920 which we thought was reasonable. In 1921 it was put on a cost basis.

The only point I want to make is that I think all was done that could be done both from a practical and an accounting standpoint, and even though it can be said and quite properly that the accounts up to 1918 of the subsidiaries do not represent exact cost, the other fact is that we cannot <sup>get</sup> exact costs for that period.

Q--Was there any substantial difference between the system adopted from 1919 on and prior to that, that is in the amount chargeable ? A--It would be impossible to go back and tell. I think there is very little benefit to be gained except in regard to a few of these small cost contracts that do not amount to anything. The difficulty in trying to arrive



at a computation would be more than the thing is worth.

The third thing is, Commissioner Haney raised the question about these renewal funds, the idea seemed to be that they were gathered from some particular place for that specific purpose, and then have been invested in plant, were not misappropriated, but misapplied possibly. The fact is, take the whole gross <sup>revenues</sup> of the system, and then take off your cash operating expense, and you have the balance left. Then you set up your provision for renewals, and then the balance I contend is payable to the Government for interest. So you do not get your renewal fund from any specific source, it is just the proportion of revenue that is left.

Q--If they had not used it they would have had to get that much more from the Government? A--Absolutely.

COMMISSIONER J. A. ROSS : I asked Mr. Gaby the other day this question, did he consider the amount in the renewal funds sufficient, and also were they as large in the Central Ontario systems as in other systems proportionately.

A--No, the condition is different, they are not as large in the Central Ontario system as in others.

Q--Are they large enough? A--I thought if they were reduced 100 per cent it would be large enough, because this system is owned by the Government, they can go to the Government at any time for additional working capital. The Niagara system is held in trust for the municipalities. Here you have a system owned by the Government itself. If you have a million dollars of renewal funds and invested in bonds, all right, but you have to go and borrow another million, but if you spend it you can go to the Government and get it.

THE CHAIRMAN : But you must consider that in connection with fixing rates. If you make your rates without providing for the renewal fund you might have to call on the Government



for more than you should ? A--Well, as to the renewal funds they are \$1,044,000, I am speaking offhand.

Q--Is that net, after the deficit is taken in ? A--That is prior to the deficit. I want to say this about the deficit; the Hydro engineers have been making a revision of their renewal rates, they contend that the rates that have been set up for renewals are excessive. My understanding is they have been discussing them with the engineers of your Commission. If it is found that those rates are excessive and instead of this \$1,044,000 you only require say \$800,000, that wipes out the deficit, there would not be any deficit. The deficit arises largely from the amount of that renewal fund.

Q--For part of your Hydro system you have a sinking fund. You have not got that ? A--The Act does not call for it. There is another point. You will find in their operating accounts there is not one dollar included for interest on the investment of the Government in the property. The Government owns this Central Ontario system on the same basis as it owns the T. & N.O.

Q--Hardly the same, they have a lot of territory to open up up there ? A--The point I want to make is, the cost of this system to the Government is its investment in it. I mentioned this in our reports, it is the capital investment. Now a company when it makes up its profit and loss account does not charge interest on the capital in the business as part of the operating expense. After you make up your profit you pay a dividend, and that comes to you as the return on the capital you have invested in the business.

Q--Where is the dividend from this system ? A--Putting the Government in the place of the owner, it would have been absolutely proper for us to disregard interest on the investment in the Central Ontario system, shown the operating



accounts without any interest charge at all, then at the end of each year we would have shown a surplus.

Q--Why should you have done that, you know the Government when it went into it expected to get the interest out of it, would not have gone in on any other understanding?

A--The Act does not call for it.

Q--Well the Government certainly intended to, they bought it for the Hydro? A--The point I want to make is, if you treated this on the same basis as the T. & N.O. --

Q--But they are different, one was purely a Government investment, it has resulted in large sales by the Government, I think they are two different things, the Government did not buy that road for anyone else? A--If they had not stuck them for the interest what would have happened is, in each year they would have shown a profit of from two to three hundred thousand dollars and that would have been paid to the Government.

Q--A fictitious profit? A--No, it would not have been fictitious.

COMMISSIONER R. A. ROSS : This is not a stock proposition, but a bond proposition, you have to pay the interest. A--The Government issued bonds on the T. & N.O.

Q--But the illustration you gave is not correct as compared with this. The Company is a stock proposition, this is a bond matter. The bond interest would have to be paid? A--There is no bond on this. The point I want to make is, if we had followed the same procedure as followed in the case of the T. & N.O. it would have shown no deficit of \$270,000, but the Government would have got an interest return of about 3.60 instead of 4 per cent. It all deals with that deficit, and I want to get a clear understanding in your minds as to just how it arose.

Another point is, you raised some question whether



contracts entered into by this system should not be approved by the Government.

Q--Contracts with municipalities ? A--I think you said contracts generally. The contracts with municipalities were passed by the Legislature up to a certain point, and then in the last two years were approved by Order-in-Council. The contracts with private corporations are not approved by the Government.

Q--In fact they give -- A--Carte blanche.

Q--Would you suggest that some contracts should be made subject to approval by the Government ? For instance sale of pulp limits ? A--I certainly would that, that is the sale of an important asset, of property belonging to the Province, handled by an agent.

Q--Supposing you were selling a plant to any of the municipalities ? A--I think the Government should certainly be consulted.

Q--Under the Act is the Hydro bound to do that ?

A--Nothing said about it.

Q--Would they have power to sell it without going to the Government ?

MR. GABY : No, they have not.

MR. CLARKSON : I think the Act is silent on it.

COMMISSIONER HANEY : In the case of the sale of the Trenton waterworks did they approve ?

MR. GABY : In dealing with any of these properties we have always made a practice of taking the matter up with the Government and getting their approval.

COMMISSIONER R. A. ROSS : As trustees for the Government your course is governed by the Act ?

MR. GABY : Well Mr. Clarkson says the Act is silent.

Q--Well, all the powers you get are under the Act, it is just a question how far they go Do you say you have power to deal

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with the assets as well as operation ? A--As agent only.

THE CHAIRMAN : It is not vested in you, you only have control and administration, you have not any power to sell ?

A--We are simply agent for the Government.

I want it made clear, I think Mr. Clarkson put it in a fair way. The arbitrary division in arriving at costs and rates for the different distribution systems up to 1921 was a more or less arbitrary proposition among these municipalities that are controlled and operated by the Commission. In 1921 we did it in the best possible way on the same basis we would in the Niagara system, but previous to that time it was more a trial proposition.

THE CHAIRMAN : Do you mean you could have made a balance the other way in some of these municipalities ?

A--We could have charged more for power and therefore had a different result so far as the result in Oshawa for instance is concerned.

MR. CLARKSON : In 1919, 1920 and 1921 it was included on a cost basis. As far as the other municipalities are concerned the charge made for power is arbitrary.

THE CHAIRMAN : Are they not all made on the same basis?

MR. GABY : One is cost, and the other just an arbitrary rate.

Q--Between Oshawa and Belleville is not the cost of power fixed for each of them practically the same subject to the cost of transmission ?

MR. GABY : Only a matter of arriving as near as we can.

COMMISSIONER R. A. ROSS : As a result of what you have said it seems to me that up to 1921 at least it would have been impossible to intelligently unscramble the situation and put it on any other basis ? A--Yes.

Q--With the information you have you are in a position now to unscramble it and put it on the other basis as you see fit?



A--Working towards that. We have now got to the point where we can make the separation.

THE CHAIRMAN : Supposing one municipality wants to buy out its system would these balances be entirely disregarded ? A--Absolutely.

Q--Mr. Ross spoke about the cost of power being under contract. The local plant belongs to the Hydro, so the cost of power to supply that local plant would not be fixed.

COMMISSIONER R. A. ROSS : The cost to the individual consumer is what is set by the franchise, or a little less ?

A--Yes.

THE CHAIRMAN : The cost of power delivered to the municipality would be fixed by yourself ? A--Yes.

COMMISSIONER R. A. ROSS : If you had made your costs in the general distribution system adequate to make a profit you would have had a very different statement in regard to the relations of the different municipalities.

Take Belleville, which shows a profit. You had a right to wipe that out by increasing the cost of power delivered to that municipality? <sup>MR. GARY :</sup> Not in the years 1919, 1920, 1921, because in those years the cost has been distributed to the municipalities. The whole thing is operated as one joint proposition as far as these municipalities are concerned. It is a mere matter of distribution or bookkeeping. These rates are determined by what we consider the absolute cost to these different systems by previous records.

Q--Have you cleared up this question : At present Belleville might claim they have a profit of \$100,000, whereas that was your profit, just as it would have been the profit of the company you supplanted. Now you could have transferred that from your wholesale to your retail, or vice versa arbitrarily.



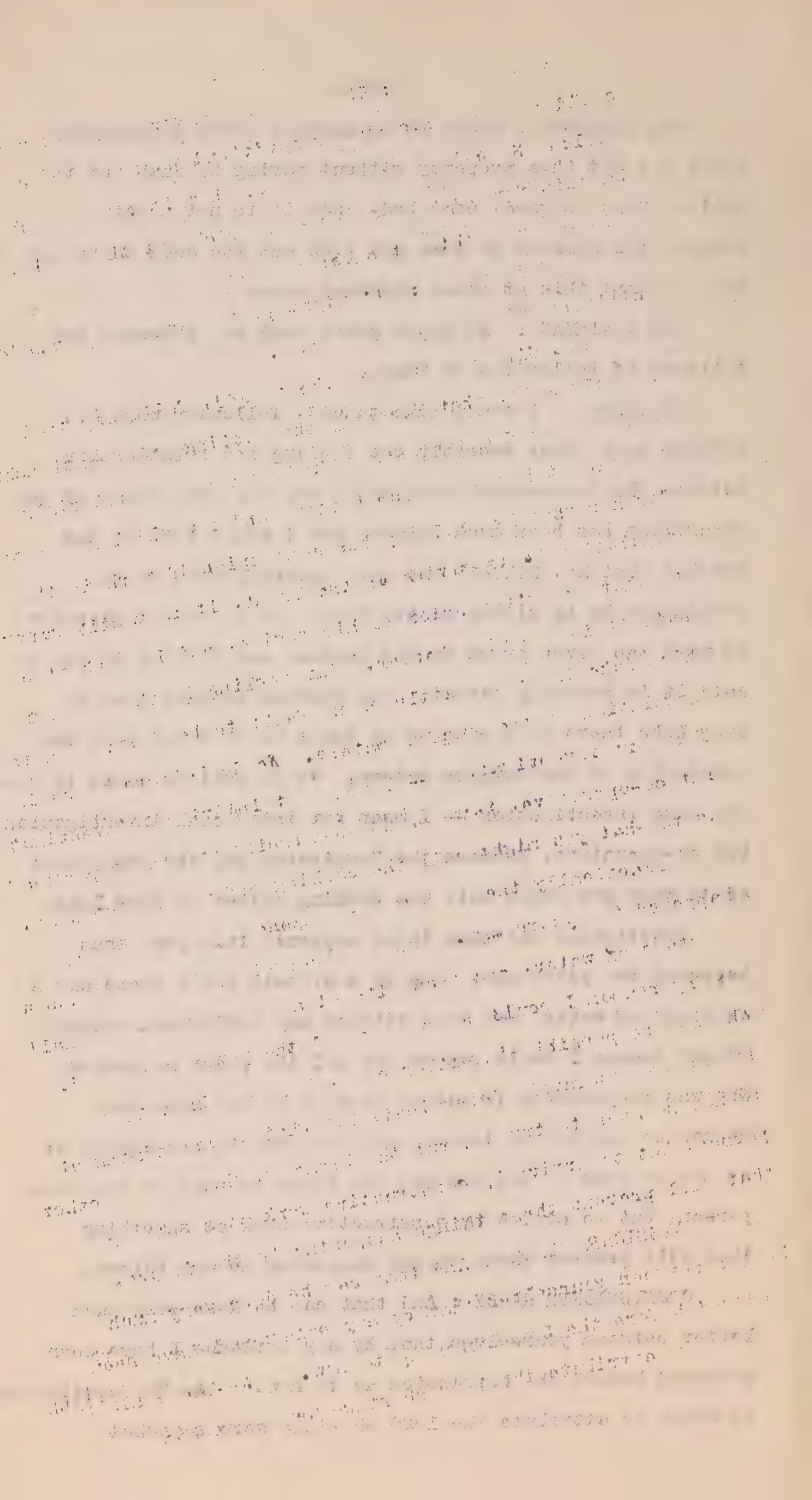
MR. CLARKSON : There is an answer. The Government could not get this property without paying so much for the whole. Some is good, some bad. Now it is not a fair bargain for someone to come and pick out the good thing and say; we want this at sheer physical cost.

THE CHAIRMAN : It might prove hard to persuade the citizens of Belleville of that.

MR. GABY : I would like to add, following what Mr. Killaly said, that recently the feeling and relationship between the Commission's officials and the officials of the Department has been much better, and I would like to say further that Mr. Killaly has done splendid work in the regulation he is giving on the Trent, it is vastly superior to what was given prior to his regime, and I think it can be said it is becoming better. Our feeling is that down to Rice Lake there is little or no fault to be found with the regulation of the surplus waters. We do believe there is room for more investigation -- I mean not individual investigation, but co-operative, between the Commission and the Department as to what you might call the choking effect of Rice Lake.

Practically the same thing happened this year that happened two years ago. Up to a certain point there was a shortage of water, and then without any additional rainfall or any reason I could see we got all the power we needed. Who was responsible in either case, I do not know that it can be absolutely determined, but what we are aiming at is not so much to try and put the blame on this or the other person, but to arrive by constructive work at something that will prevent these things happening in the future.

COMMISSIONER HANEY : And that can be done very much better between yourselves than by any evidence I have seen produced before the Commission up to now. A--The conditions to which we attribute the 1920 shortage were somewhat



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different from those which brought about the 1922 shortage. In the case of 1920 the deficiency of flow was above Rice Lake, in 1922 it was below. There was no falling off in the flow into Rice Lake during the period of the shortage in 1922, the flow passing Peterboro was quite satisfactory. But the outflow at Hastings, that is where the trouble came. In 1920 the deficiency was at and above Peterboro.

COMMISSIONER HANEY : Well whatever happened, I was very active in it and went to Ottawa, and almost immediately we got power.

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